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**Impact of Human Resource Management on Organizational Performance: The
Case of Ethio-telecom**

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1. Chapter 1: Introduction

1.1 Background of the study

Human Resource Management can be described as a strategic, integrated and coherent approach to the employment, development and well-being of the people working in organizations. It has a strong conceptual basis drawn from the behavioral sciences and from strategic management, human capital and industrial relations theories. This foundation has been built with the help of a multitude of research projects (Armstrong, 2010). Human resource management (HRM) is the policies, practices, and systems that influence employees' behavior, attitudes, and performance. Many companies refer to HRM as involving "people practices". 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 favorable reputation in the community (Raymond A. Noe, 2011). There is no single HR practice which a company may use to retain its employees. There are different HR Practices which companies can combine to manage its HR system. A company should always combine "Number of Best HR Practices" which they should implement for the survival and sustainability of the organization. Good HR practices also energize people working in the organization. The commitment and motivation built through good HR practices can lead to hard work. The culture so built can help to create a sustainable and lasting capability of the organization to manage itself and not only cope with the external turbulence. (Aneet, 2006). 1 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. Committed employees are supposed to have such characteristics as high satisfaction with their jobs, high commitment towards the organization, high motivation to serve the public and strong intentions to work for the organization willingly and devotedly (Kim.2004). 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. An organizational performance (OP) is an indicator which measures how well an enterprise achieves its objectives (Hamon, 2003). Organizational performance is concerned with product or service quality, product or service innovation, employee attraction, employee-retention, customer satisfaction, management and employee relation (Delaney and Huselid, 1996). Organizational performance can be increased by committing the values of people first by giving them proper compensation, promotion, training, fringe benefits etc. Also, employees require different benefit packages to be given to provide their skill. All these practices highlight the attractive features of the job for the career development of employees, which is reciprocated by commitment (Vans, 2006). Organizationally committed employees will usually have good attendance records, demonstrate a willing adherence to company policies, and have lower turnover rates which are directly related to employee's retention. 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 human resource management that is compensation, employee's development and organizational citizenship behavior on the performance of Ethio-Telecom in its main branch.

1.1. Research Problem

In this regard many complain coming from the Public to Ethio-Telecom due to some employees are not cooperative enough to respond to the demands of the customers and they lack sense of commitment and responsibility towards their job. As such, there are frequent customer complaints in Ethio-Telecom on the human competence of the company aims to deliver its services. Various reasons may contribute to the performance gaps related to HR practices and service delivery of the company. An effective organization will make sure that there is a spirit of cooperation and sense of commitment and satisfaction within the sphere of its influence (Tella, et al., 2007). Several variables contribute to develop commitment among employees. Organizations are worrying about as to how to pound their values and how to produce committed employees. In this light, Ethio-Telecom is obliged to look at itself and adjust the overall working environment. The business of the sector of

telecommunication is not only capital intensive, where the important component of the capital is used to develop necessary infrastructure but also the core competencies, skills of management, qualification and abilities of management are the dense drivers to increase the achievement of organization profits and the sustainability of business. Only few studies have addressed on the study of the impact of Human Resource Management practices on organizational performance in the telecom industry (Kim.2004; Wright, 2003). Results of studies, from developed countries to developing countries, have been time and again showing that HR practices have significant impact on organizational performance (Katou & Budhwar, 2007; Sing, 2004; Tzafrir, 2006). But unluckily, very insufficient numbers of studies have been conducted in this area context of Ethiopia and other developing countries. To expand the contemporary knowledge base of HR practices of developing countries, this study has been undertaken in Ethio-Telecom. Telecommunication industry has seen massive structural transformation in terms of technological development which has made the industry to be highly competitive. The industry is the fifth largest and fastest growing industry worldwide (Hawken, Lovins, & Lovins, 2010). Human resource practices are organizational tools that can be used to attract and retain the best brain in order to achieve organization objectives. In this scenario, this research examined the impact of certain HR practices on performance as case study of Ethiopian telecom company. There is a great need for additional evidence to support the HRM-performance relationship from different contexts. In Ethiopia, there are large numbers of employees working on public 3 organizations and most of them are unsure about their satisfaction towards

the HRM practices and with the job. An effective organization will make sure that there is a spirit of cooperation and sense of commitment and satisfaction within the sphere of its influence (Tella, et al., 2007). The impact of HRM practices on organizational performance has emerged as the dominant research issue in the HRM field. Therefore, this study addresses this gap in the literature in relation to telecom industry in Ethiopia. This study filled the gap of previous studies and more observe the procedure through which HRM policies, procedures and techniques affect organizational performance. This section divided into two sub-sections

Research Questions :

The study tried to answer the following questions:

What is the impact of human resource management practices on organizational performance?

What specific human resource practices have an impact on organizational performance?

Objectives of the study :

Generally, the objective of this study is to investigate the impact of HRM practices on the performance of Ethio-telecom. The specific objectives of the study are:

- 1. To examine the linkage between HR practices and organizational performance.**
- 2. To identify the influence of organizational citizenship behavior on organizational performance.**
- 3. To address the impact employee's development on organizational performance.**
- 4. To assess the effect of compensation management on organizational performance.**

Research Hypotheses:

In order to evaluate the effect of the employee motivational factors on effective organizational performances, the following hypotheses were developed.

- H1: There is positive relationship between organizational citizenship behavior and organizational performance.**
- H2: There is positive relationship between employee's development and organizational performance.**
- H3: There is positive relationship between the process of compensation management and organizational performance.**

Research Significance:

The study is significant to give feedback to employees, employers, other stakeholders and researchers about the human resource practice that could increase the organizational performance. Hence, findings of this research will be helpful for managers to examine the success of HR practices which are currently implemented by their organization and to identify HRM outcomes of them. As well as, managers of Ethio-Telecom can make necessary changes of currently used HR practices. Finally, Findings of this study can be used to increase the organizational performance of Ethio-Telecom. That is, it will contribute to the economic development of the economic development of the company. So, this study will have practical significant. At the theoretical level

Scope of the study :

This study is geographically limited to the head office of Ethio-Telecom which limits an in-depth study of this research. Because, of that large number of participants from multiple branches cannot involve in. Research context was limited to Telecom sector of Ethiopia, while the research can be extended to different sectors of to different sectors of different cities to get more significant results. Because of this, the findings of this study may not be generalized to the other branches. This study further delimited to only three human resource practices (employee development,

Compensation management, and organizational citizenship behavior), while other human resource practices can also be used for the study to get a clear idea of the important organizational performance determinants.

Organization of the thesis :

The thesis has five chapters. Chapter one describes the research overview, its initiation and purposes. It also indicates the research objectives, how the research process is conducted and the contents of the research. Chapter two covers the literature review part of the thesis; the literature review included general information about organizational citizenship behavior, employee 5 development and compensation management and their overall effects. Chapter three covers the research methodology. The methodological approach consists of the overall research strategy; the research design, the analysis of the data and writing of the research paper. Chapter four contains the discussion and analysis part. The last chapter of the thesis provides conclusions and recommendations are presented. This will serve as an action guideline to stakeholders in the Ethio telecom.

This chapter contains literature related with organizational theories, the study's main issues which are raised under the research question in the previous chapter objectives of organizational behavior, employee development, compensation management and organizational performance, the effects of HR practices on the organizational performance and also conceptual frame work of the research was presented in this chapter.

2.1.1 Human Resource Management Definitions

Human resource management (HRM) in organisations concerns the planned management of employees in order to optimize the organisation's performance. HRM covers such practices as training and development, health and safety, recruitment, selection, job evaluation, performance appraisal, and human resource planning. This list is far from exhaustive. Nonetheless, HRM practices are held to be an essential component of organisational strategy (e.g., Boxall and Purcell, 2003).

Holman et al. (2003) point to organisations' need for intelligent, well educated, and highly motivated workforces. Accordingly HRM, as the term is now used, usually means employers caring for workers, consulting with them, educating them, enabling them to fulfill their potential, and so on. Human resource management is an approach to manage human resource of an organization, in an attempt to define

HRM, Armstrong (2001) emphasized that it is people working in an organization who individually and collectively contribute to the achievement of its objectives.

The human resource is a living and active input that operates the other factors of production. It is people who create organizations and make them survive and prosper. Hence, their special management cannot be neglected as other components of the organization are likely to suffer. Without people, organizations could not function. Human resource management (HRM) refers to the policies and practices involved in carrying out the „human resource (HR) aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development, and labour relations (Dessler, 2007).

2.1.2 Perspectives of HR Management and its Function

There are numerous definitions of the term human resource management as there are many experts in the field and it is called by different names for example, in certain public enterprises it may be called personnel administration, employee relations or manpower. Human resource management is concerned with the proper use of human factors in business. Byers and Rue (2000) are of the opinion that human resource management is that part of management that is designed to provide for and coordinate the employees in the organization. Plants, equipment and all others that a modern firm uses are unproductive except for the effort and direction by human resource.

According to Obikoya (2002), “human resource management process is that part of management process that specializes in the management of people in the work organization”. Human resource management can be defined as the use of several activities to ensure that human resources are managed effectively for the benefit of the individual, society and the business. According to Cole (2002) human resource management is that part of management which is concerned with people at work and with their relationship within an enterprise and it seeks to achieve both efficiency and justice.

Human resource management has to do with various operative functions of recruiting, maintaining and utilizing a labor force in such a way that objectives for which the company was established are

attained economically and effectively. Human resource management can simply be defined as an effective and efficient utilization of human element at work. The personnel/human resource department programme of each organization is unique and personnel activities will vary somewhat from firm to firm yet trends clearly indicate that the scope personal responsibilities in increasing in organizations of all sizes. Personnel/Human resource management functions can be described as job analysis and design, recruitment and selection, appraisal training and development, compensation and wealth and employee relations (Byers and Rue, 2000).

2.1.3 Human Resource Management Practices

Human resource management (HRM) is the policies, practices, and systems that influence employees' behaviour, attitudes, and performance. 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)

Success in today's competitive market depends less on advantages associated with economies of scale, technology, patents but are more derived from organizational human resources and high involvement of human resource management practices (Quresh and Akba, 2010). For an organization to be more effective it should have skillful and innovative employees to work and should also try to retain them. There is not a single HR Practice which a company aspires to retain its employees. There are different HR Practices which a company combines to manage its HR system. A company should always combine “Number of Best HR Practices” which they should implement for the survival and sustainability of the organization. “Best practices” in HR are subjective and transitory. They enhance internal capabilities of an organization to deal with current or future challenges to be faced by an organization. Good HR practices also energize people working in the organization. The commitment and motivation built through good HR practices can lead to hard work. The culture so built can help to create

a sustainable and lasting capability of the organization to manage itself and not only cope with the external turbulence (Aneet, 2006).

Good employees are supposed to have such characteristics as high satisfaction with their jobs, high commitment towards the organization, high motivation to serve the public and strong intentions to work for the organization willingly and devotedly (Kim,2004).

2.1.4 Organizational Performance

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).

Organizational performance involves analyzing a company's performance against its objectives and goals. In other words, organizational performance comprises real results or outputs compared with intended outputs. The term has a similar meaning to „organizational effectiveness.“ However,

„organizational effectiveness“ covers a broader area. An organization is an organized group of individuals with a specific purpose. „Performance“ is the process or action of performing a function or task. We perceive it regarding how successfully the person carries out that function. When we put the two words together, i.e., organizational performance, what do they mean? According to (Louise James), a Senior Manager at Pitcher Partners: “Organization performance relates to how successfully organized group of people with a particular purpose perform a function.” The analysis of company’s performance focuses on three main outcomes. first, shareholder value performance; second, financial performance; and third, market performance. Many types of professionals, including strategic planners, focus on organizational performance.

2.1.5 Organizational Citizenship Behavior (OCB)

Organizational citizenship behavior (OCB) is a person's voluntary commitment within an organization or company that is not part of his or her contractual tasks. OCBs are the extra work- related behaviors of employees which go above and beyond the routine duties prescribed by their job descriptions or measured in formal evaluations, and also defined as individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization. They reflect an employee’s true willingness to be involved in an organization

(Chen et al., 1998; Shore et al., 1995). OCBs can enhance employee retention by making the organization a more attractive place in which to work (Podsakoff et al., 1997).

Organizational citizenship behavior has been studied since the late 1970s. Over the past three decades, interest in these behaviors has increased substantially. Organ (1988) defines OCB as "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization". Organ's definition of OCB includes three critical aspects that are central to this construct:

- 1. First, OCBs are thought of as discretionary behaviors, which are not part of the job description, and are performed by the employee as a result of personal choice.**
- 2. Second, OCBs go above and beyond that which is an enforceable requirement of the job description.**
- 3. Finally, OCBs contribute positively to overall organizational effectiveness.**

At the same time, Organ's (1988) definition of OCB has generated a great deal of criticism. The very nature of the construct makes it difficult to operationally define. Critics started questioning

whether or not OCBs, as defined by Organ, were discretionary in nature. Organ (1997), in response to criticisms, notes that since his original definition, jobs have moved away from a clearly defined set of tasks and responsibilities and have evolved into much more ambiguous roles. Without a defined role, it quickly becomes difficult to define what is discretionary.

2.1.6 Employee Development

Employee development includes providing learning and training facilities, encouraging employees to gain new or advanced skills, knowledge, and viewpoints, as well as the opportunities to apply what is gained. It also provides motivational compensation for an employee who may join a company as a junior in skills, with the potential for gaining learning, skills, and salary. Training and development (T&D) is a very important tool of HRM (Vlachos 2008). Training refers to some activities which equip employees with needed skills to perform better in their current jobs (Li, et al. 2008). In the environment of today's business an employee is needed to cope with various pressures and are required to keep their skills and knowledge current to stay competitive. Tai (2006) asserts that more adaptability, ability, flexibility, motivation, maintenance of skills and efficiency are greatly enhanced by proper training and development of employees.

Training is the planned effort that facilitates the acquisition of job-related knowledge, updating of skill sets, and impacts the behavior of

an employee. In the implementation of HRM tools training is an important factor responsible for productivity. Higher productivity observed in firms is a direct outcome of training programs. “High-Involvement practices such as autonomy, team collaboration, and training are helpful in reducing employee turnover and enhance productivity. Un- trained workers tend to change job more often. “An increasing in high-performance, work practices convert decreasing in turnover” (Bradley, Petrescu & Simmons, 2004). Training programs are particularly helpful when an employer is experiencing a high degree of employee turnover more so during the times of economic uncertainty. Even during the times when the business is flourishing an organization should proactively earmark their investment for on the job training and other training programs balancing the cost of training with the perceived benefits of productivity. On the other hand, a trained worker has got the required skills and knowledge and can be a candidate for job turnover.

2.1.7 Compensation Management

Compensation is a process of providing monetary value to employees for the work they performed. Compensation can be used to hire skilled employees, reward the performance, encourage company loyalty by reduce turnover. Compensation may include Basic Pay, Overtime, Bonuses, Travel/Accommodation Allowance, Stock Options, Medical Allowance, Commissions, and Profit Sharing (Tai,2006).

Compensation management has become one of the issues both for employees and employers around the world due to its importance. Naturally, employees want to get more remuneration for their work as where employers want to pay as minimum as they can. So regarding the compensation there is a conflict between employees and employers in many of the organizations. Compensation is the remuneration an employee receives for his or her contribution to the organization. It occupies an important place in the life of employee. His or her standard of living, status in the society, motivation, loyalty and productivity depend upon the remuneration he or she receives. For the employer too, employee compensation is significant because of its contribution to the cost of production. The HR specialist has a difficult task of fixing wages and wage differentials acceptable to employee and their leaders. Remuneration is another term synonymously used with the compensation (Aswathappa, 2014).

2.2 Empirical Studies

Human Resource Management practices and organizational performance

Elhusein and Azhdar (2004) studied on the Effectiveness of Selected Human Resources Management Practices on Organisational Performance and Objectives (A Case Study of the Libyan Iron and Steel Company). They investigated executives' perceptions of HRM, organisational performance, and realisation of organisational objectives at the Libyan Iron and Steel Company (LISCO). Results suggest that LISCO executives have positive perceptions of LISCO's implementation of HRM, of LISCO performance, and of LISCO's realisation of its objectives. However, regression analysis suggests some HRM practices have little impact on LISCO performance, and even fewer on LISCO's realisation of objectives. The one exception to this is human resource planning. This suggests that, if anything, the most important aspect of HRM is its integration into an organisation's strategic thinking, not the specific form it takes.

A study conducted by Wright (2003) points out that 20% employees plan to switch their current positions in at least five years. Employee retention turnover has become a more prominent aspect of organizational life. The implementation of retention compensation strategies has seen significant growth over the last several years. A study conducted by Frye (2004) show positive relationship between compensation and organization performance. Frye (2004) reported that compensation strategies play an important role in recruiting and retaining skilled employees. Most of the firms used Performance-based compensation to reward employees (Collins and Clark, 2003). Performance-based compensation positively influences employee's performance (Brown et al.,2003). A study by Huselid (1995) showed a significant relationship between compensations and employee performance. An effective HRM strategy is to integrate performance and compensation system that enhance employee's will to work effectively and efficiently (Wright, 2003). Teseema and Soeters (2006) indicate a significant correlation between compensation and employee's performance. It is important that employer view compensation practices in a favorable light as compensation practices heavily influence employee recruitment, turnover and productivity.

Cho et al. (2006) investigated the relationship between the use of 12 HRM practices and organisational performance. Cho et al. found that the 12 HRM practices had a significant relationship with only

one measure of organisational performance: the turnover rate of non-managerial employees. So, the results indicate only that companies implementing HRM practices tend to retain less well educated staff. On one level of thinking, this would suggest that the 12 practices are “good” in the sense that they foster employee loyalty (but note: by the researchers’ criteria, such loyalty, if present, does not translate into improved organisation performance). On another level of thinking, it would suggest that the 12 practices encourage employees to mulct their employers, and stay with them only for this reason (but note: by the researchers’ criteria, such mulcting, again if present, does not translate into deteriorated organisation performance). However, Özcelik and Aydinli (2006) in a review pointed out that research on SHRM focuses heavily on the linkage between HRM and business strategy. The authors argue that linking HRM and business strategy requires that human resource (HR) departments provide appropriate input into strategic decisions, that HR managers partake in strategic planning (Fombrun et al., 1984), and that HRM and strategic planning be integrated (and see Schuler, 1992; Sheehan, 2005). Özcelik and Aydinli (2006) emphasize the need for HR departmental representation on companies’ boards of directors, and, by implication, equivalent bodies in other organisations.

Naftal and Busienei (2015) conducted a study on the effect of human resource management practices on performance of public universities in Kenya. This study sought to establish the relationship between strategic human resources management practices and performance of public universities in Kenya. Data was collected using semi-structured questionnaire and was subsequently analyzed using SPSS. Research findings suggested that strategic human resource management practices have a significant effect on the performance of public universities in Kenya. Further, findings revealed that reward management, training and development and resourcing practices respectively influenced the performance of public universities. Based on the findings following key recommendations were made: Management of public universities to develop employment policy that encourages job security; invest in HR information systems to automate resourcing practices; government to ensure that selection in public universities is based on equal employment opportunity principle, management to conduct a staff competency analysis in order to address training and development needs.

Kidombo (2009) considered human resource strategic orientation and strategic responses to environmental change. The findings revealed that most of the independent variables had a relationship with firm performance and the variations in the dependent variable can be explained by the independent variables. Kidombo recommended that

future research should consider the effect of different commitments on firm performance. Future research should be triangulated by incorporating multiple sources such as line managers, workers and other stakeholders. Busienei (2013) in his study on the effect of human resource strategic orientation on performance of large private manufacturing firms in Kenya found out that there was a strong positive correlation between human resources strategic orientation and firm performance. He concluded that there is need to for future research to focus on performance of public institutions.

In summary, it may be argued that while there is a growing body of theory and empirical research demonstrating relationships between HRM policies, organizational citizenship, compensation, employee development, collective employee attributes, and firm outcomes, additional studies in this area are needed (Boxall and Purcell, 2003). Additionally, although it was accepted that HRM is positively related to organizational performance, there is great need for additional evidence to support the HRM-performance relationship from different contexts (Cho et al., 2006). Specifically,

while a few investigations have been initiated in emerging markets and in transitional countries (Öz,celik and Aydinli, 2006, Cho et al., 2006).

Employee development and organizational performance

Stiles and Kulvisaechana S [2003] observed the positive relationship between the human resource development and organizational performance according to the large and expand body of literature. Human Resource management in an independent and intangible variable, market value depends on intangible variable. Shih, Chiang, and Hsu [2006] observed that the part of framework of human resource development is retaining and recruiting the perfect employees. The cooperative goals of the organizations can be shared and applied through knowledge, employee's capacity and competence hold by the organization through training and encouraging environment. Expansion in productivity and business performance expand the Future returns. Future returns depend on the employee's skills and abilities. Hardre [2003] study the impact of resourcing and growth on the employee's attitude which include motivation, satisfaction and commitment. The effectiveness and efficiency of public sector depends on the positive future oriented employee development [2011]. The organizational performance depends on the training and development of human resource and the organization spends millions of money for this purpose. Organizational performance depends on the employee

development because employee development enhances knowledge base of the organization [2011]. The employee development depends on the two important measures, training and promotion. There is a significant relationship between investment in employee development and business performance. The factors affecting the employee development include the selection strategies, recruitment, evaluation of performance and planning procedure. There is an indirect relationship between employee development and organizational performance, relationship include the human resource practices [1996]. Organizational performance and employee development are affected by the tuition assistance programs. Tuition assistance programs are a method that the organizations used to invest their resources in the human resource with the aim to develop more knowledgeable and educated workforce. Swanson [1995] indicates that the independent variable is employee development which directly affects the organizational performance. Organizational performance positively affected by employee development because of effective use of employee empowerment practices.

Compensation management and organizational performance

Holt [1993] employee receive compensation in the form of rewards, pay, benefit is basically the output that management uses to increase the performance of organization.

The most common appraisal of employee is pay plan by Heneman and warner. The research conducted by Lazear EP [1986], Pay have direct impact on the performance of employees the compensation and the pay structure directly impact the performance of the employees and the they provide the output according to the pay plan and pay structure according to the performance of employees. In 1999 the employees have fixed pay and the organization give rewards for their better performance that will give the power job shorter oriented so there is relationship between compensation like pay and performance.

HRM practices like compensation and rewards, training and development, recruitment and selection and performance management have positive effect on organization performance observed in 104 articles documented in 18 that these are four most important Boselie P, Dietz G,Boon c [2005].

Khan investigates Motivational factor for the employees are the compensation so proposes structure of compensation in which employees who perform better are paid more than average performing employees is important to increase the performance of organization Hewitt [2009].

Organizational citizenship behavior and organizational performance

In 1970s OCB has been studied and its interest significantly increased. Denis Organ considered as the father of OCB. Organ explained “Individually behavior that is discretionary not directly or explicitly recognized by the formal reward system and that in aggregate promotes the effective functioning of the organization” (P.4).

Coole DR[2003] indicates that the organizational citizenship performance speculate the overall performance and across all task performance levels. Morinson defines citizenship behavior as a function of employee’s in-role and extra-role job behaviors [1994]. Mc Ulster described organizational citizenship behavior is favorable for organization. To improve the organizational performance issues has been facing by senior management. Podsakoff and Mackenzie researched that OCB are significant to the performance of all organizations [1997].

Todd described that if we add the social work environment the overall performance of organization increases substantially [2004]. According to Niehoff and Yen that the organization becomes more effective if there are more employees in organizational citizenship behavior. As a result we anticipated OCB to make the correlation between organizational performance and HR practices.

To fill this gap and to further examine the process through which HRM policies impact organizational performance, it is important to conduct analysis in information-based company in developing country context. Thus, the purpose of this paper is to investigate how HR practices influences organizational performance and for a better understanding of the relationship between these two variables, to take into account that organizational citizenship, employee development and compensation practices influence HRM in Etio-telecom company context.

2.2 Conceptual Framework

The conceptual framework indicated below show both independent and dependent variables proposed by the study. Mugenda and Mugenda (2003), define a variable as measurable characteristic that assume different values among the subjects. They define a dependent variable as one that depends upon other variables or is as a consequence of other variables. An independent variable is defined as one that is antecedent to the dependent variable. The dependent variable, “performance of Telecom company in Ethiopia” is the subject of this study and is the one that is influenced by the independent variables (organizational citizenship, employee development and compensation management as HR practices). The relationship between HRM effectiveness and organizational performance has been extensively argued in many studies (ElhuseinAzhdar , 2004; Holman et al, 2003; Boxall and Purcell,

2003; Öz,celik and Aydinli, 2006). It has been revealed that HRM can be a proper source of sustainable competitive advantage for every organization. HRM is able to affect employees' skills. This would be performed when human capital of an organization is acquired and developed and consequently, the business goals can be obtained.

- There is positive relationship between organizational citizenship behavior and organizational performance.
- There is positive relationship between employee's development and organizational performance.
- There is positive relationship between compensation management and organizational performance.

Cole (2002) emphasized that HR is capable of adding strategic value from employees in the organization to add value and achieve competitive advantage. It can be claimed that human resource is as important as employees. The effective implementation of HRM strategy can thoroughly organize the entire HRM measures for all employees to directly affect employee attitude and

behavior in order to enable the company to gain competitive strategy (Huang et al, 2002). Performance can be defined as the capability in an organization to achieve and effectively manage their accessible resources through various methods in order to result in a competitive advantage. Two types of performance can be stated, financial and nonfinancial (Hansen and Mowen, 2005). Performance is accounted as a vital factor to management. The output of an individual or a team in an organization is considered as the performance, which relates to the authority and responsibility to obtain objectives in a lawful manner in conformity with the standards of morale and ethics. (Iswati and Anshori, 2007). Organizational performance is indicated by service strategy which includes uses customer feedback to improve the quality and efficiency and blamed by customers because of poor fixed line maintenance, pricing strategy, distribution strategy, promotion strategy and personnel strategy that includes a skilled and competent personnel and capable of providing services, understand service culture and providing excellent services to meet customers' needs and desires. This is based on the hypothesis and relationship of variables. The conceptual framework is adapted from Kidombo (2009) on the study of Human Resource Management orientation and Strategic Responses to Environmental Change, Africa journal of Business and Economics. The study can be conceptualized as shown in figure below.

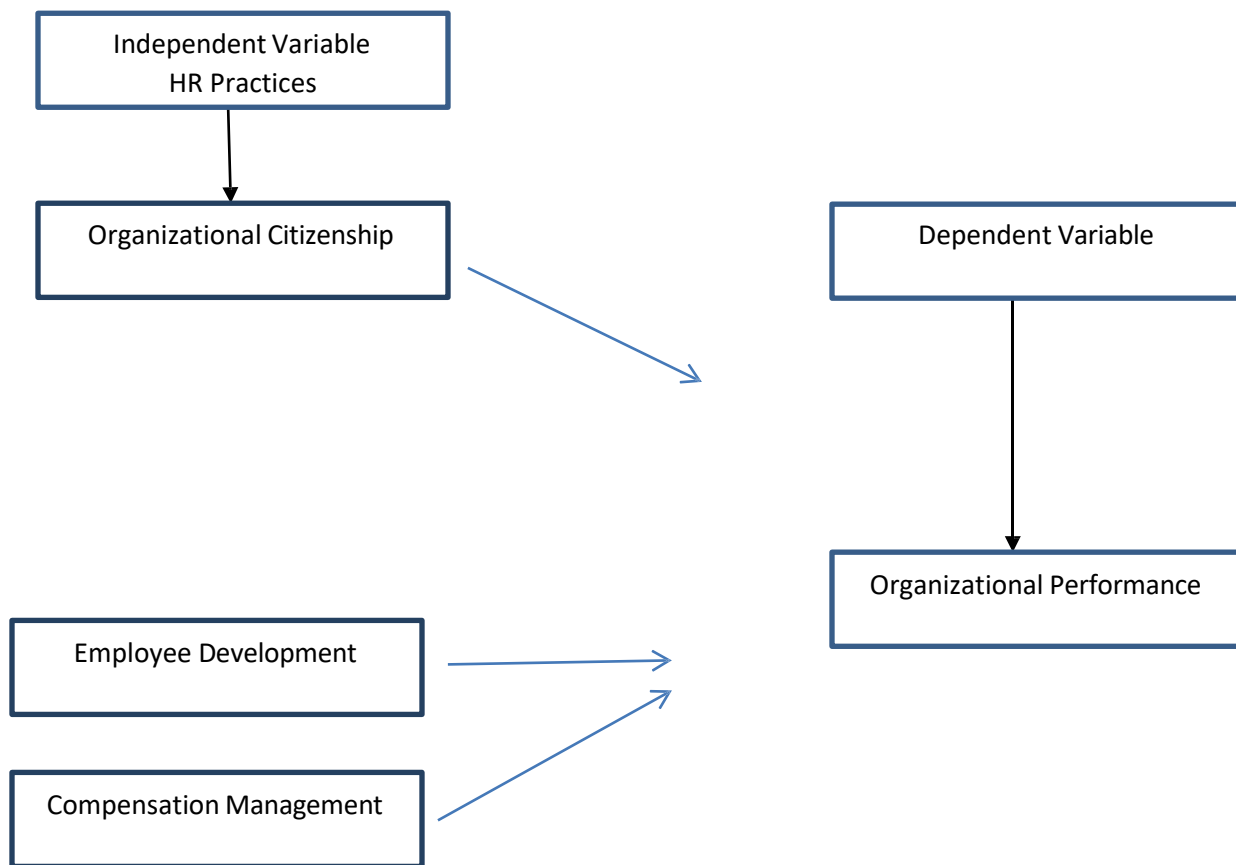


Figure 2.1 : Relationship between Human Resource Practices and Organizational Performance Source: Adapted from Kidombo (2009)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research Design and Approach

There are three types of research approaches quantitative, qualitative and mixed research approach that combines both qualitative and quantitative ones. Since, this study desires to identify the impact of HR practices on Organizational performance, hypotheses testing is required which necessitates to adopt a quantitative research approach. Among the tree types of research designs exploratory, descriptive and causal the study used a mixed research design i.e, descriptive and causal. The first stage of this study relies on the so-called descriptive research method which means that the study is typically concerned with describing the characteristics of certain groups, to estimate the frequency or proportion of subjects in a specified population, to analyze relationships between variables, or to make specific predictions (Zikmund, 2003). The descriptive research must start with prior knowledge about the phenomenon studied and should rest on one or more specific hypotheses. Based on that, the first stage of this research reviewed of the existing literature on HRM practices, their outcomes and impact of HRM practices and HRM outcomes and on organizational commitment. The second stage of the study is to examine the relationship between two key set of variables (i.e., Dependent and

Independent variables), as well as other intervening or control variables based on primary and secondary data. The idea of writing this paper is to study, analyze and examine the impact of HRM Practices on Organizational performance.

3.2 Sample size and Sampling Technique

Population of this study is the employees who are working in different departments of Ethio telecom in the head office. 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 head office has approximately 1357 staff during the period of the study until December 2018. From 1357 personnel 370 are females and 987 are males. The target population for this study was 1357. From the total personnel I selected 90% from human resource department since my topic is related with HR practices. And also by random sampling method from the entire department I just choose 10% from quality and process department. In Human resource department there are 143 personnel (Female-62, Male-81) and also it has 4 departments. i.e. compensation & benefit, human development, placement and personnel. In quality and process department there is 81 personnel

(female-17, Male-64) and also it has 4 departments in it. i.e. process, quality assurance, Revenue assurance and rescue & business. By calculating 90% of 143 it was 129 respondents from human resource department .and by calculating 10% of 81 it was 9 respondents from quality and process department. That is 129 HR staff and 9 quality and process staffs and the total is 138 samples. A total of 138 questionnaires were distributed to the 2-department staff. In this research purposive and random sampling design were used. From all branches of the company, the head office was selected purposely to get a large number of respondents. The human resource department was selected purposely because, it is one of my focal research interests to answer my research questions and the quality and process department was selected randomly.

3.3 Data sources and Data Collection tools

Both primary and secondary sources have been used to collect data relevant for the study. In order to gather primary information from employees, questionnaires has been prepared and distributed for employees who were evaluated. Secondary data has been collected from different sources like books, journals and magazine.

Primary data were collected from employees who are working in different departments of the company using questionnaire survey. For the purpose of this study, a structured questionnaire consisting of 70 question items were made to collect data. The questionnaire was

organized into two sections. Section-one included questions regarding the personal details of respondents such as age, experience, sex, education and marital status. Section-two encompassed question items which included about employees' perceptions towards HRM practices such as Organizational Citizenship behavior, Employee's development and Compensation management and HR outcomes (organizational performance). A five-point Likert scale was used in this second section of the questionnaire to measure the impact of HR practices on employee's commitment. The scaling is: 5 for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree were given in order to analyze data.

3.4 Data Presentation and Analysis

The collected data are clearly presented by using tables, graphs and charts which are expressed in the form of frequency, percentage, mean standard deviation and variance. The data collected from the departments were given a separate section and it helped to give a different perspective and a

different set of factors that were discussed. The same was done in the case of other data collected from other sources.

Data were analyzed by multiple regression analysis. In this context, a multiple regression analysis was performed by making use of all the dependent and independent variables available in the dataset. The dependent variable is organizational performance and HR practices are independent variables. Multiple regression analysis was performed to identify the predictors of organizational performance. 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.

The data which were collected from questionnaire first give code or recording variables on Statistical package social science (SPSS) program. Based on descriptive data analysis techniques frequency, percentage, mean, standard deviation and graphic representation were made. Furthermore, hypothesis tests were performed using regression analysis.

Kerlinger and Lee (2000) pointed that regression analysis is a statistical method that relates one dependent variable to a linear combination of one or more independent variables. A regression analysis technique identifies how much each independent variable has an impact on dependent variable. For each performance indicator separate data was regressed. Multiple regression analysis calculates multiple correlation coefficients. It is the proportion of variance in the 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. The analysis results were presented in tables and charts.

3.5 Reliability

This study used Chronbach's alpha to assess the internal consistency of variables in the research instrument. Chronbach's alpha is a coefficient of reliability used to measure the internal consistency of the scale. According to Zikmund et al. (2010), scale with coefficient alpha between 0.6 and 0.7 indicate fair reliability so for this study a Chronbach's alpha score of 0.70 or higher is consider adequate to determine reliability.

Table 4.1 Reliability Test Result

	Cronbach's Alpha	N of Items
Organizational Citizenship Behavior	.771	14
Employee Development	.851	19
Compensation Management	.794	21
Organizational Performance	.820	13
Overall	0.774	67

Source: Own survey, 2019

The above table indicated that the reliability test based on each dimension and employed Chronbach"s alpha to assess the internal consistency of variables in the research instrument. Based on this base the researcher conducted a test to measure the internal consistency and make modification based on the test and the result showed Cronbach"s alpha for all items is 0.774 and the items are internally consistent.

3.6 Validity

Validity is the extent to which difference found with measuring instrument reflecting true differences among those being tested. In order to ensure the quality of the research design content and construct validity of the research was checked. Construct validity establishing correct operational measures for the concepts being studied. Internally, the literature review was conducted and thoroughly examined to make sure that the content of measuring is relevant to the study. Experts" opinions were taken.

Externally, as stated on the methodology, questionnaire was used to collect the primary data. Therefore, to assure validity of the instrument the researcher has given a chance for professionals on the area to review the questionnaire and finally it was validated by the advisor with some adjustment.

3.7 Ethical Consideration

In this study, formal consent was obtained from each participant/sampling unit before data collection was commenced. Informed consent was sought from the management of the selected organizations before the commencement of this research initiative. The researcher undertook to protect the rights of the respondents by:

- ♦ Ensuring that none of the respondents were not named during the research or subsequent thesis;**
- ♦ Respondents were selected to participate without compulsion;**
- ♦ All respondents were properly informed of the reason and purpose of the research**

4.1 Response Rate and Reliability Test

This chapter includes the results and discussions of this research. It begins with response rate of the responses and the profile of the respondents and presents the views of respondents” in Ethio- Telecom Company.

Table 4.2 Response rate

No.	Categories	No. of Employees	No. of respondent	Actual	%
1.	Questionnaire	783	138	111	80.4 %

Source: Own survey (2019)

A total of 138 questionnaires were administered to the respondents selected from HR department as shown on the above table that indicates the details of respondents. Accordingly, 111 questionnaires (81% of the targeted population) were properly filled and returned. It indicates that more than eighty percent of the targeted respondents were participated in the study.

Background of Respondents

Table 4.3 Respondents’ Profile Based by sex

sex Category of respondents		Frequency	Percent
sex	male	58	52.3
	female	53	47.7
	Total	111	100.0

Source: Own study, 2019

Of all respondents, half of the respondents were males (approximately 58 numbers of the total respondents) and the other half of the respondents (approximately 53 numbers of the total respondents) were female. This indicates that the gender participation of the respondents was maintained, and both men and women had equal opportunities.

Table 4.4 Respondents’ Profile Based by Age

Age Category of respondents		Frequency	Percent
Valid	"18-25years"	7	6.3
	"26-35years"	66	59.5
	"36-45years"	27	24.3
	"46&above"	11	9.9
	Total	111	100.0

Source: Own survey, 2019

On other hand, 7 workers were below 24 years and most of the respondents of this study aged between 26 and 35 as 66 participants were in this category. It seems some young and new staffs are included on the survey. Only three workers were very matured; more than 60 years of age. Specifically, from the table, a greater percentage of workers (27) were between 36 to 45 age category and 11 respondents were above 46 years of age. This implies that this study comprises young and youth whose skills need to be developed and enhanced to ensure the effectiveness of the study.

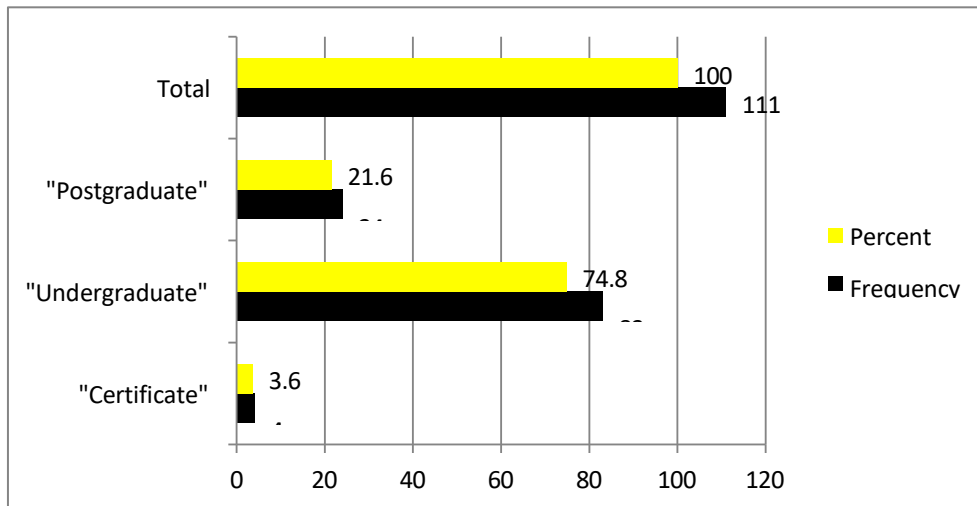


Figure 4:1 Chart for respondents' Profile Based by Education Background

Source: Own survey, 2019

In this study, most of the participants completed undergraduate study as the data shows 83 respondents or 74.8 % selected this category. The highest educational level attained by 24 respondents who completed post study. As indicated in the above table, respondents of this study have had some level of formal education (more than elementary education) and it implies that the participants of this study have had formally educated to handle the questionnaire.

Table 4.5 Respondents' Profile Based by Marital Status

		Frequen cy	Percent
Valid	"Single "	35	31.5
	"Marri ed"	67	60.4
	"Divor ce"	2	1.8
	"Other "	7	6.3
	Total	111	100.0

Source: Own survey, 2019

The above table shows that most of the respondents were married that accounts 60.4 % of the total participants of the study. 31.5 % of the respondents were single and others are divorced and had some other reasons. This indicates that most of the respondents have had family administration role in addition to their work and professional persons. This indicates that they were expected to be responsible in their office tasks. Overall, the respondents of this study were comprised from well-educated and family-oriented workers. It is believed that the study got data from responsible and accountable persons

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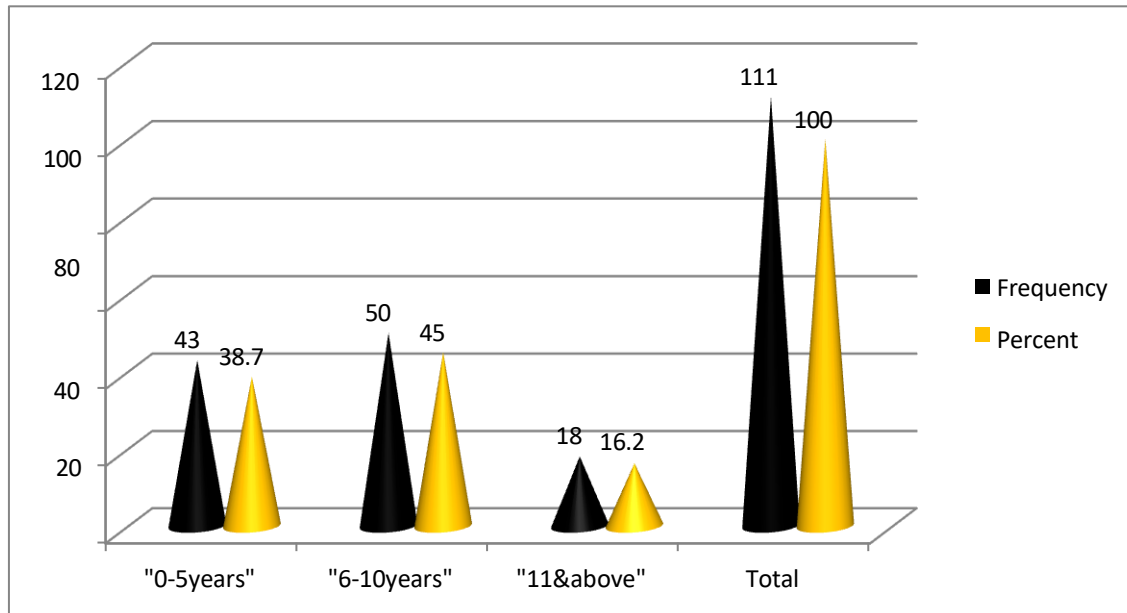


Figure 4.2: Chart for respondents' profile based on work experience

Source: Own survey, 2019

Regarding working experience, half of the participants have had between 6 years and 10 years work experience. It accounts 45% of the total respondents. Others 38.7% of the participants have had

below 5 years working experience. 16.2 % of the respondents have had matured or more than 11 year of working experience. In general, most of the participants of the study have had a good working experience to handle the study questionnaire and to inform the factors of HR practices and organizational performance in EThio-Telecom.

4.3 Results of the Descriptive Statistics

4.3.1 Organizational Citizenship Behavior

Organizational citizenship behavior (OCB) is a person's voluntary commitment within an organization or company that is not part of his or her contractual tasks. Accordingly, respondents were asked to rate their opinion based on the company adjusts work schedules to accommodate employees' requests for time off, co-workers learn new skills or shared job knowledge, genuine concern and courtesy toward coworkers, even under the most trying business or personal situations, ideas to improve the functioning of the organization, actions to protect the organization from potential problems, concern about the image of the organization, how the he management of the company took time to advice, coach or mentors the employees.

Table 4.6 Respondents' response on OCB

Item	"Strongly Disagree"	"Disagree"	"Neutral"	"Agree"	"Strongly Agree"	Mean
Work Adjustment	19%	21%	42%	14%	4%	2.631

Helped Coworkers	3%	6%	31%	39%	21%	3.671
Concern And Courtesy	4%	6%	28%	45%	17%	3.658
Improve Functioning	4%	9%	25%	45%	17%	3.631
Protect Organization	4%	14%	20%	41%	23%	3.649
Organization Image	4%	6%	22%	32%	37%	3.919
Took Time Advice	7%	8%	32%	31%	22%	3.514
Helped New Employee	4%	10%	29%	44%	14%	3.541
Attends Functions	0%	9%	47%	31%	14%	3.486
Obeys Company Rules	2%	7%	33%	41%	16%	3.631
Competent Enough	4%	23%	22%	33%	18%	3.387
Respect Employ Ability	2%	16%	35%	30%	17%	3.439
Stands Up To Protect	5%	11%	36%	41%	8%	3.373
Recommendable Place	4%	9%	27%	28%	32%	3.773
Grand Mean						3.522

Source: Own survey, 2019

The above table indicated that most of the respondents selected the category of disagree (21%) and others preferred the category of strongly disagree for the company adjusts work schedules to accommodate employees' requests for time off. This indicates that most of the respondents were not happy on the company's adjusts work schedules to accommodate employees' requests for time off. However, the respondents preferred the category of strongly agree (21%) and the category of agree (3%) for the co-workers learn new skills or shared job knowledge factor.

The average mean value is 3.5 and it inclines to agree category. It indicated a positive attitude towards this factor. Other factors such as genuine concern and courtesy toward coworkers, even under the most trying business or personal situations, ideas to improve the functioning of the organization, actions to protect the organization from potential problems, concern about the image of the organization, how the management of the company took time to advice, coach or mentors the employees. How new employees get oriented to the job, functions that are not required but help the company's image, obeys company rules and regulations even when no one is watching, competent enough to lead the organization towards prosperity, respects each employee's ability and knowledge have been selected in a positive way. Respondents selected a high percentage for all factors the category of agree and above.

4.3.2 Employee Development

Employee development includes providing learning and training facilities, encouraging employees to gain new or advanced skills, knowledge, and viewpoints, as well as the opportunities to apply what is gained. It also provides motivational compensation for an employee who may join a company as a junior in skills, with the potential for gaining learning, skills, and salary.

Table 4.7 Respondents' response on Training

Item	Category	Count	%
Taking any form of Training since joining the company	"No"	34	31%
	"Yes"	77	69%
Attending Trainings in a year	"Lessthan 5"	89	80%
	"5-10"	15	14%
	"10-20"	3	3%
	"Morethan 20"	4	4%

Source: Own survey, 2019

This research found that most of the respondents (69%) have taken training since they joined the organization. It indicates that the company organized various trainings to develop the skill of the employees. Most of the respondents (80%) attend training in less than five times a year.

Table 4.8 Respondents' response on Employee Development

Item	"Strongly Disagree"	"Disagree"	"Neutral"	"Agree"	"Strongly Agree"	Mean
a training and development policy applicable to all employees.	0%	3%	26%	31%	41%	4.090
Positively improve the organizational belief.	0%	3%	21%	43%	33%	4.072
Corporate image	0%	0%	26%	46%	28%	4.018
Assessed on the basis of their performance appraisal	7%	8%	22%	22%	23%	2.919
Problem solving skills and broader knowledge	6%	5%	26%	46%	16%	3.604
encourage employees	7%	10%	24%	50%	9%	3.432
techniques learned in training	4%	7%	19%	41%	31%	3.901
Supervisors give employees the chance	5%	5%	35%	47%	7%	3.450
Supervisors ease the pressure of work for a short time	9%	5%	35%	47%	7%	3.468
motivated to learn the concepts that will be covered in the training program.	5%	5%	26%	45%	18%	3.649
Training has helped improve my job performance	5%	5%	18%	56%	22%	4.018
Training for motivation towards performance improvement	5%	5%	35%	47%	7%	3.450
Training programme helps me to improve the	5%	5%	35%	47%	7%	3.423

quality and quantity of my work.						
Training programme enable the employees to be accountable and authoritative in making decision.	5%	8%	18%	43%	25%	3.748
Training helps to improve employee –employee relationship.	8%	11%	16%	40%	25%	3.631
Training helps to the motivation level of employees	4%	6%	19%	54%	17%	3.748
Training enables employees to be more productive.	11%	12%	14%	36%	27%	3.541
I am actively involved in learning during training process.	3%	6%	23%	41%	27%	3.829
Training course facilitate you in improving personal competency	14%	9%	10%	41%	27%	3.586
Grand Total						3.662

Source: Own survey, 2019

This study showed that more than 70% of the respondents preferred the category of agree (31%) and strongly agree (41%) for a training and development policy applicable to all employees in the company. 33% and 43 % of the respondents preferred the category of strongly agree and agree for training and development positively improve the organizational belief. 28% and 46 % of the respondents preferred the category of strongly agree and agree for training and development help create better corporate image which aids organizational development, organizational culture and performance.

Most of the respondents (around 40%) preferred the category of agree for the training needs of the employees in our organization are assessed on the basis of their performance appraisal, training in our organization includes social skills, general problem solving skills and broader knowledge of the organization and business, supervisors encourage them to share what they have learned with other employees, supervisors support the use of techniques learned in training that employees bring back to their jobs, supervisors give employees the chance to tryout their training on the job immediately, the pressure of work for a short time so employees have a chance to practice new skills that are taught in training, motivated to learn the concepts that will be covered in the training program, training has helped improve my job performance, training for motivation towards performance improvement enabled me to contribute to increased productivity, to improve the quality and quantity of work, enable the employees to be

accountable and authoritative in making decision, to improve employee –employee relationship, the motivation level of employees, enables employees to be more productive, actively involved in learning during training process and facilitate you in improving personal competency. The mean average value of this factor is 3.662 which approach to agree category. Ethio-Telecom enables to ensure organizational culture and performance through the training needs of the employees based on their performance appraisal, social skills, general problem-solving skills and broader knowledge of the organization and business. It helps to encourage them to share what they have learned with other employees and supervisors support the use of techniques learned in training that employees bring back to their jobs, supervisors give employees the chance to tryout their training on the job immediately.

4.3.3 Compensation Management

Compensation is a process of providing monetary value to employees for the work they performed. Compensation can be used to hire skilled employees, reward the performance, encourage company loyalty by reduce turnover. Compensation may include Basic Pay, Overtime, Bonuses,

Travel/Accommodation Allowance, Stock Options, Medical Allowance, Commissions, and Profit Sharing. A recent study conducted by Hay points out that 20% employees plan to switch their current positions in at least five years. Employee retention turnover has become a more prominent aspect of organizational life.

Table 4.9 Respondents' response on Compensation Management

Item	"Strongly Disagree"	"Disagree"	"Neutral"	"Agree"	"Strongly Agree"	Mean
There is compensation management in Ethio-telecom.	9%	5%	18%	36%	33%	3.829
Satisfied with compensation management in your company.	23%	21%	9%	27%	21%	3.027
Ethio-telecom provides a general increase of salary.	0%	0%	26%	46%	28%	4.018
Ethio-telecom provides a cost of living increase.	15%	25%	10%	22%	28%	3.215
Ethio-telecom has a bonus or incentive plan.	6%	5%	26%	46%	16%	3.604
A formal employee merit review process.	12%	20%	14%	45%	9%	3.200
Salary and other benefits are comparable to the market	20%	25%	12%	32%	22%	3.432
The compensation directly linked performance	23%	32%	17%	20%	7%	2.550
Profit sharing used as a mechanism to reward higher performance.	19%	22%	25%	29%	5%	2.802
Compensation administrators always seek to achieve internal equity and consistency	3%	9%	18%	50%	21%	3.766
Paid adequately for the work i do.	19%	23%	16%	29%	13%	2.928
Pay increments offered by our organization are	20%	18%	17%	38%	7%	2.946

satisfactory.						
Follows the policy of matching pay with performance.	23%	40%	1%	30%	7%	2.595
The pay is competitive compared to that of employees doing similar work in other organizations.	17%	26%	9%	23%	25%	3.126
Rewards and incentives are fairly distributed	8%	11%	20%	36%	25%	3.595
Rewards in Ethio-telecom linked to performance.	22%	33%	10%	23%	13%	2.712
The existing reward and incentive plan does not motivate me for better performance.	11%	14%	14%	35%	27%	3.541
The salary increments given to employees who do their jobs very well motivates me.	12%	15%	5%	32%	35%	3.640
Financial incentives motivates me more than non financial incentives.	10%	27%	10%	32%	21%	3.234
I am satisfied with the salary I draw at present.	28%	25%	10%	23%	25%	3.243
I am satisfied with the benefits i receive.	18%	14%	23%	25%	21%	3.171
Grand Total						3.246

Source: Own survey, 2019

In this study, it is found that 33% and 36 % of the respondents preferred the category of strongly agree and agree for the compensation management system and practices of Ethio-telecom. Half of the respondents (21 % strongly agree and 27 % agree) are satisfied with compensation management in their company.

Most of the participants of the study agreed their company provides a general increase of salary and a cost of living increase and has a bonus or incentive plan and has a formal employee merit review process. 22% and 32 % of the respondents preferred the category of strongly agree and agree for the factor salary and other benefits are comparable to the market. Others are less selected such as the compensation for all employees is directly linked to performance, profit sharing used as a mechanism to reward higher performance and compensation administrators always seek to achieve internal equity and consistency through organizational belief. 42% of the respondents assured as they are paid adequately for the work they do.

Other factors were selected by less respondents such as pay increments offered by our organization are satisfactory, follows the policy of matching pay with performance, competitive compared to that of employees doing similar work in other organizations, rewards and incentives are fairly distributed, rewards linked to employee's performance, the existing reward and incentive plan does not motivate

for better performance, the salary increments given to employees who do their jobs very well motivates, financial incentives motivates me more than non-financial incentives, satisfied with the salary and satisfied with the benefits they receive.

The average mean value is 3.246 which incline to neutral category. Compensation provides monetary value to employees for the work they performed. The above analysis and interviewed results assured that the company is not committed to handle the compensation policy in effective way. Compensation can be used to hire skilled employees, reward the performance, encourage company loyalty by reduce turnover.

4.3.4 Organizational Performance

Table 4.10 Respondents' response on Organizational Performance

Item	"Strongly Disagree"	"Disagree"	"Neutral"	"Agree"	"Strongly Agree"	Mean
Uses customer feedback to improve the quality and efficiency of its fixed line service.	3.6%	13.5%	35.1%	44.1%	3.6%	3.306
Blamed by customers b/c of poor fixed line maintenance.	10.0%	4.0%	20.0%	51.0%	15.0%	3.570
Considers the d/t kinds of costs determining price.	5.0%	8.0%	24.0%	58.0%	5.0%	3.500
Focused on predetermined rate of return.	8.0%	12.0%	15.0%	35.0%	30.0%	3.670
Ethio-telecom considers what customers are willing to pay.	15.0%	12.0%	20.0%	30.0%	23.0%	3.340
Distinctive distribution capabilities e.g the ability to open new branch.	8.0%	13.0%	5.0%	45.0%	29.0%	3.740
Convenient opening hours are available in shops.	5.0%	16.0%	15.0%	37.0%	27.0%	3.650
Promotes sales such as gifts, discounts, free calling days...etc	3.6%	6.3%	34.2%	36.0%	19.8%	3.622

Uses direct marketing methods such as e-service, direct mail, the internet.	4.0 %	9.0%	17.0 %	30.0 %	40.0 %	3.930
Sponsors special events such as sports, charities, seminars.... etc	10.0 %	9.0%	13.0 %	38.0 %	30.0 %	3.690
Skilled and competent personnel and capable of providing services to guests.	11.0 %	19.0 %	12.0 %	20.0 %	38.0 %	3.550
The personnel at Ethio-telecom understand service culture.	0.0 %	3.6%	26.1 %	22.5 %	47.7 %	4.144
Providing excellent services to meet customers' needs	9.0 %	9.0%	18.0 %	29.0 %	35.0 %	3.720
Grand Total						3.649

Source: Own survey, 2019

In assessing the organizational performance of the surveyed company, the first assessment was focused on service strategy. It focuses on customer feedback to improve the quality and efficiency of its fixed line service and blamed by customers because of poor fixed line maintenance. The collected data shows that 3.6% and 44.1 % of the respondents preferred the category of strongly agree and agree for customer feedback to improve the quality and efficiency of its fixed line service and blamed by customers b/c of poor fixed line maintenance. This indicates that the company did not effectively use customer feedback to improve the quality and efficiency and it is mostly accused by customers because of poor fixed line maintenance. On other hand, assessment of pricing strategy shows that this strategy accomplishes better performance. Around 63% of respondents positively evaluated consideration of different kinds of costs which incurs when determining price, focused on predetermined rate of return and considers what customers are willing to pay of the company.

Similarly, organizational performance in terms of distribution strategy was positively assessed. About 29% and 45 % of the respondents preferred the category of strongly agree and agree for a distinctive distribution capabilities e.g the ability to open new branch of the company. About 27% and 37 % of the respondents preferred the category of strongly agree and agree for convenient opening hours are available in Ethio-Telecom shops. In the same way, most respondents evaluated the company's promotion strategy in good condition. Around

56% of the respondents preferred the category of agree and above for promoting sales such as gifts, discounts, free calling days. About 70 % and 68 % of the respondents selected the category of agree and above for both uses direct marketing methods such as e-service, direct mail, the internet and sponsors special events such as sports, charities, seminars.

Finally, personnel strategy was assessed positively and 38% strongly agree that Ethio-telecom has a skilled and competent personnel and capable of providing services to guests. In addition, 47.7 % of the respondents strongly agreed that the personnel at Ethio-telecom understand service culture and 35.5 of them strongly agreed Ethio-telecom seeks to provide excellent services to meet customers' needs and desires. Interviewed results and the above analysis assured that organizational performance involves analyzing a company's performance against its objectives and goals. The real results or outputs compared with intended outputs of the surveyed company can be seen as a good performer.

4.4 Determinants of Organizational Performance

The data which were collected from questionnaire first give code or recording variables on Statistical package social science (SPSS) program. Based on descriptive data analysis techniques frequency, percentage, mean, standard deviation (Sd) were made.

4.4.1 Normality Test

Table 4.11 The Normality Test

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Organizational Citizenship Behavior	-.238	.134	.091	.268
Employee Development	-0.047	.134	.466	.268
Compensation Management	-0.193	.134	0.261	.268
Organizational Performance	-0.774	.134	0.264	.268
Valid N (listwise)				

Source: Own survey, 2019

As we can see from the above descriptive statistic from Table 4.5, Kurtosis and Skewness statics calculation demonstrates that the distribution is normal because Kurtosis and Skewness are in between - 2 and +2, thus data is normally distributed and had a reasonable variance to use subsequent analysis (John, 2007). The detailed descriptive statistics about each variable was discussed in the next paragraphs.

After checking the performance of the model, then finally hypothesis

tests were performed using regression analysis.

4.4.2 Test of multicollinearity using VIF (Variance Inflation Factor)

Table 4.12 Test of multicollinearity using VIF

Model		Collinearity Statistics	
		<u>VIF</u>	
	(Constant)		
	Organizational citizenship	.418	2.39 5
1	Employee development	.408	2.45 3
	Compensation management	.733	1.36 4

Source: Own study, 2019

Table 4.13 Test of Collinearity Diagnostics

Collinearity Diagnostics^a							
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	VAR00001	VAR00002	VAR00003
1	1	3.945	1.000	.00	.00	.00	.00
	2	.031	11.351	.11	.03	.02	.97
	3	.018	14.733	.68	.33	.02	.02
	4	.007	24.501	.21	.64	.96	.01

a. Dependent Variable: perceived organizational performance

Source: Own survey, 2019

Multicollinearity refers to a situation in which there is exact (or nearly exact) linear relation among two or more of the input variables (Uma, 2003). The VIF (Variance Inflation Factor) for each term in the model measures the combined effect of dependence among the regressors on the variance of that term. One or more large VIF indicate multicollinearity. Practical experience indicates that if any of the VIF results exceeds 5 or 10, it is an indication that the associated regression coefficients are poorly estimated because of multicollinearity (Uma, 2003). Collinearity Statistics shows that the VIF value of organizational citizenship, employee development and compensation management are 2.395, 2.453 and 1.364 respectively which is less than 5 or 10 (Uma, 2003) and no collinearity is observed on this data. The table also presents the result of regression analysis; the result regression analysis

is based on organizational performance. The independent variables that contribute to variance of the dependent variable are explained by standardized Beta coefficient. In general, the organizational citizenship, employee development and compensation management will affect the perceived organizational performance.

Table 4.14 Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951^a	.905	.904	.22748
a. Predictors: (Constant), citizenship, development, compensation				

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	161.002	3	53.667	1037.135	.000 ^b
	Residual	16.869	326	.052		
	Total	177.871	329			
a. Dependent Variable: perceived organizational performance						
b. Predictors: (Constant), citizenship, development, compensation						

Table 4.15: Estimation Results of the Regression Model

Model	Unstandardized Coefficient		Standardized Coefficients	t	Sig.
	B	Std.			
(Constant)	-.089	.083		-1.077	.282
1 Organizational citizenship	.322	.025	.347	13.136	.000
Employee development	.375	.030	.336	12.579	.000
Compensation management	.343	.015	.448	22.493	.000

Source: Own survey, 2019

The above tables show regression analysis of HR practices in terms

organizational citizenship, employee development and compensation management and perceived organizational performance. In literature, linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. In this research, the regression analysis used the independent variable (HR practices) indicated on the model to measure the organizational performance. The significance level of 0.05 was used with 95% confidence interval. The reason for using single analysis was to examine the direct effect of HR practices in terms organizational citizenship, employee development and compensation management as the independent variable on the perceived organizational performance.

As indicated in the above table the independent variables predict the dependent variable R square =

90.5 % with adjusted R square 90.4 % the remaining less than 10% other extraneous variable that

can affect organizational performance. This result also indicates that the variable selected as independent influenced organizational performance. The ANOVA table shows that the ANOVA test, it is noticed that F value of 1037.135 is significant at 0.000 level. As a result, from the result, it can be concluded that with 90.4% of the variance (R-Square) in organizational citizenship, employee development and compensation management are significant effect on organizational performance and the model adopted appropriately measure the construct.

Similarities and contradictions between findings of the present study and other studies.

As indicated, the regressions suggest that organizational citizenship, employee development and compensation management have significant effect on organizational performance and the model adopted appropriately measure the construct in telecom-based organization. Elhusein and Azhdar (2004) oppose the result of this study as only some HRM practices have little impact on LISCO performance, and even fewer on LISCO's realisation of objectives. But, study conducted by Frye (2004) show HR practices particularly had positive relationship between compensation and organization performance. Cho et al. (2006) indicated only that companies implementing HRM practices tend to retain less well educated staff. Naftal and Busienei (2015) suggested that strategic human resource management practices have a significant effect on the performance of public universities in Kenya. Kidombo

(2009) revealed that most of the independent variables had a relationship with firm performance and the variations in the dependent variable can be explained by the independent variables. Busienei (2013) found out that there was a strong positive correlation between human resources strategic orientation and firm performance.

Table 4.17 Summary of Hypothesis Testing

	Si g. tes t res ult	Independe nt Variable	Dependen t Variable	Ho Rejected or Accepted
H ₁ : There is positive relationship between organizational citizenship behavior and organizational performance.	.000	organizational citizenship	Organizational Performance	Accepted
H ₂ : There is positive relationship between employee's development and organizational performance.	.000	employee development	Organizational Performance	Accepted

H₃	There is positive relationship between compensation management and organizational performance.	.000	compensation management	Organizational Performance	Accepted
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CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 Summary

A total of 138 questionnaires were administered to the respondents selected from HR department as shown on the above table that indicates the details of respondents. Accordingly, 111 questionnaires (81% of the targeted population) were properly filled and returned. Response analysis of the study shows that

- the company slightly adjusted work schedules to accommodate employees' requests for time off and the company reassures the co-workers learn new skills, has genuine concern and courtesy toward coworkers, provides ideas to improve the functioning of the organization, taken actions to protect the organization from potential problems, creates the image of the organization**
- Most employees have taken training since they joined the organization; the company organizes various trainings to develop the skill of the employees. However, the company does not organize trainings frequently and less trainings are organized yearly**
- The company arranges a training and development policy applicable to all, it improves the organizational belief and it helps create better corporate image which aids organizational development, organizational culture and performance. The**

company arranges training needs of the employees based on their performance appraisal and the arranged trainings in the organization helps to improve social skills, general problem-solving skills and broader knowledge of the organization and business. Supervisors encourage employees to share what they have learned with other employees, supervisors support the use of techniques learned in training that employees bring back to their jobs and supervisors give employees the chance to tryout their training on the job immediately

- Employees are satisfied with compensation policy and management in their company. The company provides a general increase of salary and a cost of living increase and has a bonus or incentive plan and has a formal employee merit review process. It is found that salary and other benefits are comparable to the market. But, compensation for all employees is marginally linked to performance. In the company, profit sharing used as a

mechanism to reward higher performance and compensation administrators always seek to achieve internal equity and consistency through organizational belief.

- The study found that the company's organizational performance in terms of service strategy is valued as relatively good and the company uses customer feedback to improve the quality and efficiency of its fixed line service and it is blamed by customers due poor fixed line maintenance. Regarding pricing strategy, the company accomplishes better performance in consideration of different kinds of costs which incurs when determining price, focused on**

predetermined rate of return and considers what customers are willing to pay of the company. Similarly, organizational performance in terms of distribution strategy was positively assessed. The company has distinctive distribution capabilities e.g the ability to open new branch of the company and there are convenient opening hours are available in Ethio-Telecom shops. The company's promotion strategy is assed as having good practices as it starts promotion via sales such as gifts, discounts, and free calling days to some extent. It uses direct marketing methods such as e-service, direct mail, the internet and sponsors special events such as sports, charities, seminars. Finally, personnel strategy was assessed positively as Ethio-telecom has a skilled and competent personnel and capable of providing services

to guests. Ethio-telecom seeks to provide excellent services to meet customers' needs and desires.

- Using the statistical regression model based on the significance level of 0.05 with 95% confidence interval, there is a direct effect of HR practices in terms organizational citizenship, employee development and compensation management on the perceived organizational performance; it can be determined that with 90.4% of the variance (R- Square) in organizational citizenship, employee development and compensation management are significant effect on organizational performance and the model adopted appropriately measure the construct.

5.2 Conclusion

This study is aimed to assess the impact of HR practices on organisational performance. This study extends previous researches by exploring a possible independent variables like organizational citizenship, employee development and compensation management. As other studies focused on people management practices(i.e. staffing, training, work design, participation, rewards and appraisal) create value to impact creation, transfer and integration of knowledge that form the basis

of firm's core competencies (i.e. collective learning in the organisation to coordinate and integrate diverse skills and technologies) (Armstrong, 2010; and Bradeley, Petrescue and Simmons, 2004).

In order to maintain continuous improvement and to develop organisational performance, technology-based companies or firms need to stress learning from individual, team and organisation levels. Thus, it is found that HR practices contribute to an organisation's learning and facilitate organisational knowledge development.

It is supposed that technology-based companies need to have a system of committed HR practices to improve the individual's knowledge, skills and ability, stimulate knowledge sharing within projects and the company, learned from the external environment to facilitate the capture of organizational knowledge and learning. Hence, this paper proposes a positive relationship between HR practices (organizational citizenship, employee development and compensation management including training and rewards) and organisational performance in the context of developing economy. Accordingly, the role of HR practices has high consequence on and organisational performance. Although the model may provide the general relationships among the main constructs, the model will not be able to adequately capture the complexity and dynamism of the context of perception study and organisational settings. To understand the complex situation between HR practices, organisational learning and organisational performance

should be comparatively investigated in a mixed method approach. Further research should be directed both at HRM – performance link and at the link between HRM – employee work and working environment/culture – and employee well-being.

5.3 Recommendation

Taking into consideration the above research findings and conclusions, the following recommendations are forwarded to the management of the company and other concerned officials:

- The company must continue improving educational level of its employees and also providing trainings to them in order to utilize their performance and the practice may also increase their motivation.**
- The company must set short term plan to maintain those employees who are benefited from its further education and trainings by availing promotional opportunities to them so that employees may stay long and give their contributions to the ministry.**

- It must collect feedbacks from employees before and after education and training sessions, these practices may enable the department to improve for future training programs and educational fields which may help the advancement of information technology in the country.
- The company must come up with some effective plans especially in investing the various aspects of human capital as not only to attain greater performance but also it ensures to remain competitive for their long-term survival.
- The company should have resources that needed for learning, such as curriculum materials, science laboratories, ICT and libraries should be made available to every employee. It is important to promote knowledge management through team work and provision of Knowledge Management Systems.
- More emphasis should be put to link the industry, technical training institutions, education and research institutions.
- The study also suggests introduction of Employee Skill Development Funds that is governed by the company as employee benefits to provide customized job training programs for all staffs who want to train workers or upgrade their skills.

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