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**ST. MARY'S UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**DEPARTMENT OF MASTERS OF BUSINESS ADMINISTRATION**

**THE EFFECT OF EMPLOYEE PERFORMANCE APPRAISAL, EMPLOYEE  
TRAINING AND COMMITMENT ON ORGANIZATIONAL PERFORMANCE: THE  
CASE OF ETHIOPIAN INSURANCE CORPORATION**

**BY**

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**ADVISOR: YIRGALEM TADELE (PhD)**

**ADDIS ABABA, ETHIOPIA**

**JUNE 2023**

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL  
OF GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS OF  
BUSINESS ADMINISTRATION**

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## DECLARATION

I, Sinidu Teka, hereby declare that the thesis work entitled **“The Effect of Employee performance appraisal, Employee training and commitment on Organizational Performance: The Case of Ethiopian Insurance Corporation.”** submitted by me for the award of the Degree of Master of Business Administration at ST. Mary’s University, is original work and it hasn’t been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution.

Sinidu Teka

St.mary’s university Addis Ababa

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June 2023

## **ACKNOWLEDGEMENTS**

First and foremost, all praise goes to the Almighty God who helped me to accomplish this paper successfully. I am deeply indebted to many people for their contributions in diverse ways towards the successful completion of this thesis. Secondly, I pay my gratitude to my Sister, Dr. Yirgalem Tadele, for his comprehensive supportand, and constructive comments from the beginning to final stage of my work. Thirdly, I would like to take this opportunity to express my deepest regards and appreciation to my beloved family who had shown their holistic willingness to sponsor my academic carrier. Fourthly, I would like to extend my sincere gratitude to all participants and respondents of the study for their contribution. Finally, I thank all those who have helped me directly or indirectly in the successful completion of my research.

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## **Abbreviations and Acronyms**

EIC	Ethiopian Insurance Corporation
HR	Human Resource
HRM	Human Resource Management
HRMP	Human Resource Management Practice
OP	Organizational Performance
PA	Performance Appraisal
SPSS	Statistical Package for the Social Sciences
TD	Training and Development

### *Abstract*

*The purpose of this study was to show the practice gap which has been used in Ethiopian Insurance Corporation on the area of selected HRM practices. The study specifically focuses on three areas where the problems are exceedingly prevalent which are (Training and development, performance appraisal, and organization commitment) and their effect on organization performance. To achieve this purpose explanatory survey design was adopted using simple random sampling technique on a sample size of 261. Descriptive and inferential statistics were used to examine the relationship between the study variables using SPSS version 20. The finding of the study revealed that the above mentioned HRM practices influence the organization performance positively. The result of the regression also shows that all the study variables have statistically significant contribution on organizational performance. The adjusted  $R^2$  of 43.9 indicates that 43.9% of the variance can be predicted by HRM practiced by of the corporation. The result of Pearson correlation coefficients also reveals that HRM practices (training and development, performance appraisal and employee commitment) are significant correlates of organization performance. thus, it can be concluded that improved human resource management practices are significantly influencing organizational performance. Therefore, the management of Ethiopian Insurance Corporation should improve its human resource management practices as a way of improving the company performance.*

*Key words: Training and Development, Performance appraisal, organization commitment*

# CHAPTER ONE

## 1. Introduction

The practice of human resource management (HRM) is to deal with all aspects of how people are employed and managed in organizations. It covers activities such as, human capital management, corporate social responsibility, knowledge management, organizations development, resourcing (human resource planning, recruitment and selection, and talent management), performance management, learning and development, employee well-being, reward management, employee relations and safety and the provision of employee services. HRM practice has a strong theoretical basis drawn from the behavioral sciences and from strategic management, human capital and industrial relations theories. Human resource of a company as one of the important capitals plays such an important role in the operation of an organization (Ofondu and Godswill,2016).Pfeffer (1994) argues that in most organizations, human capital is a crucial resource that has long been recognized. Companies are now attempting to create value with their human resources, and a human resource department has been established in order to manage their human capital. In contrast, organizations in the previous decade handled their human capital through the personnel department, which is only a minor section of the company.

Human Resource Management has passed various developmental stages to reach to the current stage. In its early stage the personnel management its main activities were recruitment, selection, training, salary administration industrial relation often performed effectively but with little relationship between the various activities or with over all organizational objectives Jasen ,2008)

According to (Alan Nankervis et.al 2019) personnel management was becoming human resource management, representing a change towards the integration of personnel functions, strategically focused on overall organizational effectiveness. HRM consider employees as human resource who are vital organizational assets, possessing knowledge, skill ,talent and future potential ; therefore it is a must to apply appropriate management strategies (through, for example, human resource planning, job design, effective attraction and retention techniques

,performance management and reward program, occupational health and safety system) in order to assure their individual and collective contributions to the achievement of organizational goals and objectives.

Modern strategic HRM models recognize that work force performance depends on employee capabilities, motivation, work organization and employee relations (Coyle-Shapiro et al 2013). likewise, the recent theories have emphasized strategic Human Resource Management as a basis of competitive advantage. Organizations would accomplish goals or objectives that individuals can't do alone, but this could only be made possible via employee capability, commitment, and productivity. HRM modern approaches highlight that strategic HRM are vital to enhance firm's survival and effectiveness through human capital development (Armstrong, 2005).

## **1.2 Back ground of the Organization**

Ethiopian Insurance Corporation (EIC) it is the only state owned insurance company which was established in 1976 by proclamation number 68/1975, taking over all the liabilities and assets of the thirteenth nationalized private insurance companies, it came to existence with birr 11 Million paid up capital and about 475 employees, with the aim of engaging in all class of businesses in Ethiopia which insures to provide the insurance service to the broad mass of the community. The skilled man power also assigned to all branches to fulfill the man power requirement. Since establishment EIC was the sole insurer, which operating the business for nineteen years. In mid-1991 EIC was re-established as public enterprise under proclamation number 201/94 with birr 61 Million paid up capital as result of government transition. (Company profile,2017)

EIC is administered by the board of management which reports to the Public Financial Enterprise Agency which is accountable prime minister's office. The top management team comprises the Chief executive officer, plus five Deputy chief executive officers respectively responsible for General Insurance, Long Term insurance, Resource management, Finance & Investment and Business Development & Risk Management and four directorates. The senior management is supported by six directors of district "A" and eight directors of district 'B's and network of 68 local branches & 10 satellite offices all under supervision of their respective districts in and outside of Addis Ababa.

Since the research focuses on EIC, the target population is all management and non-management permanent employees of the corporation who have more than two years of work experience. the sample is taken from EIC head office and Districts resides at Addis Abba.

### **1.3 Statement of the problem**

Human resource practices are activities performed by human resource department of an organization. They are used in Order to get the best out of it. Many researches has-beendone onthe practice of HRM on organization performance. According to (Dessler, 2007) If an organization fails to develop and practice an appropriate human resource management practice then it will confront problems all over the organization since every activities within the organization is primarily running by its human resource.

Several previous researches such as, Katou&Budhwar, (2009); Çali kan, (2010); Arumugam, et al, (2011); Gbolahan, (2012) and Waiganjo, et al., (2012), have explained that there is an association between human resource management practices and the organizational performance. Human resource management practice has an impact to influence employee's attitude, abilities, skill, behavior and knowledge of employees and it may influence the organizational performance. The alignment of human resource management with the strategy of organization and the application of different practices of human resource management such as training, appraisal and career opportunities within the firm are regarded to be essential factors in determining the relation between organizational performance and human resource management (Govand Anwar and N.Abdullah,2021).

As Guste (1997) 'The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization.' if so appropriate HR policies and practices are introduced and it can also be assumed that HRM will make a huge impact on firm performance.

For this study the researcher performed a pilot test in order to identify the improper application of HRM practices, i.e. performance appraisal, training & development and organization commitment practices EIC implemented in order to identify the prevalence of practice gap; to achieve this purpose the researcher distributed a questionnaire to 10% of the sample population in order to assess the level of improper application of HR practices; among those respondents

70% of employees agree about unfairness, irregularity of the performance evaluation process and no clue of how their performance appraisal is done. With regard to the training program provided by the corporation most the respondent expresses their feelings by agree that selection process for training program is not based on needs of job at most and also complained on selection criteria for training program. respondents also express their opinion on organization commitment by stating that they stay in the organization because the absence opportunity to get another job so; this indicate that the employee's commitment to their organizations is not satisfactory; this may affect the long term objectives which the corporation intended to achieve i.e. to be world class insurer by 2025.

## **1.4 Objective of the study**

The main objective of the study is to determine the effect of selected human resource practice on organization performance.

### **1.4.1 Specific objectives**

- 1 .To identify the effect of performance appraisal practice on performance of EIC
2. To find out the effect of employee commitment on performance of EIC.
3. To determine the effect of training and development practice on performance of EIC

## **1.5 Research question**

What are the roles of HRM practices on organization performance in the case of EIC?

### **1.5.1 Specific research questions**

1. to what level performance appraisal affect the performance of organization?
2. to what extent training and development affect organization performance?
- 3.by how much level employee commitment affect performance of the organization?

## **Research Hypothesis**

In order to address the above research questions, the following research hypothesis will be empirically tested in the research.

1. Training and Development has a positive and significant effect on organization performance.



2. Performance appraisal has a positive and significant effect on organization performance.
3. Organization commitment has a positive effect and significant effect on performance.

### **1.6 Significance of the study**

The significant of the study is for the following reasons: primarily, the research helps the management in this corporation to identify the problems and the factors that hinder the application of the performance appraisal, clarify the importance of training, making frequent performance appraisal and its effect on employee & organization performance and to the HRM Directorate to take corrective measures to improve and revise the HRM practice currently in use. In addition, it gives the researcher an opportunity to gain knowledge in practices of HRM and develop research experience and to those who are interested to conduct further study on the human resource practices use the output of the study as a reference.

### **1.7 Scope of the Study**

The scope of this study is delimited in terms of concept, geographical area and methodology. The conceptual scope of the study limited to selected HRM practices. In view of that, the study comprises three major HRM practices: performance appraisal, employee training & organization commitment. Regarding the geographical area coverage, the study is limited to employees of EIC working at Head office and Districts in Addis Ababa. The research methodology to be used explanatory research method.

Hence, data will be collected from the sample respondents selected through simple random sampling technique and the respondents involved in this study will be 261 employees from head office and Districts resides in Addis Ababa.

### **1.8 Limitation of the study**

Even though the study was design to enable the researcher collect accurate and reliable data that can be used to make some inferences, it is however not free from limitations. First, the study was only encompassed the view and opinion of employees in head office and Districts in Addis Ababa. Thus, those employees outside the head office in Addis Ababa were omitted in this

study due to finances and distances are the limiting factors that inhibit collecting the data from all the employees across the country. Thus, the finding of the study may not be inferred to the whole employees of the company around the country. More so, the study is also conducted based on survey method and thus, data was collected at single time rather than frequent observation over the same sample. Accordingly, the method cannot examine changes over time which needs more strong empirical investigation

### **1.9 structure of the study**

The study is organized into five chapters. Chapter one discussed about background of the study by defining what HRM means by citing famous scholars in the field then describe the background of the company under the study, statement of the problem, the research objective, research question and also include significance of the study, limitation and scope of the study.

The second chapter presents both theoretical and empirical review of related literatures. Chapter three outlines the research methodology adopted in this study. Chapter four discusses about the data analysis and interpretation of the outputs. Chapter five outlines the summary of the finding, conclusions, recommendations and further research suggestions.

## **CHAPTER TWO**

### **2 Literature Review**

This chapter presents the theoretical and empirical literature review from various sources. It also presents the conceptual framework of the study.

#### **2.1 Theoretical Related Literature Review**

##### **2.1.1 Definition of Human Resource Management**

Human resource management (HRM) is a comprehensive and coherent approach to the employment and development of people. HRM can be regarded as a philosophy about how people should be managed, which is supported by a number of theories relating to the behavior of people and organizations. It is concerned with the contribution it can make to improving organizational effectiveness through people but it is, or should be, equally concerned with the ethical dimension – how people should be treated in accordance with a set of moral values. HRM involves the application of policies and practices in the fields of organization design and development, employee resourcing, learning and development, performance and reward and the provision of services that enhance the well-being of employees. These are based on human resource (HR) strategies that are integrated with one another and aligned to the business strategy (M. Armstrong, 2014).

Beer et al. (1984) human resource management (HRM) can be defined as the linking of organizations' human resource management function as a strategic partner to organizational growth in the formulation and implementation of the organization's strategies through human resource activities such as recruiting, selecting, training and rewarding of personnel.

##### **2.1.2 Human Resource Management Practices**

HRM practices are activities performed by human resource department in line with the organization objectives and taken as a good reputation for the firm in order to acquire skilled manpower; in the following section the definition of HRM practice is discussed in brief.

According to Delery and Doty, (1996) HRM practices are a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contributes to the achievement of its business objectives.

A research conducted by Minerva (2005) confirmed that human resource management practices are a collection of procedures used by an organization to manage human resources by facilitating the development of competencies that are firm specific, producing complex social relationships, and creating organizational knowledge in order to maintain competitive advantage. According to Schuler and Jackson (1987), human resource management practices are a system that attracts, develops, motivates, and retains employees in order to ensure the effective implementation of policies and procedures as well as the long-term survival of the organization and its members, which appears to support this viewpoint. Human resource management practices, according to Huselid (1995), include personnel selection, performance appraisal, incentive compensation, formal grievance procedures, information sharing, labor/management participation, recruiting intensity, and increased training hours.

As noted by (Singh et al. 2020) human resources management practices include policies for dealing with those essential to these basic areas, such as the promotion of workforce engagement, evaluation, the application of knowledge, and capacity preparation, employee training, and retaining staff, along with the management of administration issues.

When an organization fails to consistently apply best HR practices it might face significant problems on employee turnover, productivity, job satisfaction, employee commitment, market share.

#### **2.1.2.1 Training & Development**

Training and development a nonstop activity in any organization. According to Snell (2006) training and development as the field concerned with organizational activity aimed at improving the performance of individuals and groups in organizational settings. It has been known by several names, including employee development, human resource development, and learning and development. Down (2007) says training focuses on learning the skills, knowledge, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee's horizons

Training and development help employees to identify organization goals and mission. It helps not only managing change but also developing positive culture in the organization, which in turn may lead to providing higher level of service to stakeholders (Armstrong, 2009). The importance of training has become more obvious given the growing complexity of the work environment, the rapid change in organizations and technological advancement which further necessitates the need for training and development of employees to meet the challenges. Training helps to ensure that organizational members possess the knowledge and skills they need to perform their jobs effectively, take on new responsibilities, and adapt to changing conditions (Jones, George and Hill, 2000).

Armstrong (2012) stated in his published document that organizations could benefit from training and development through winning the "heart and minds of" their employees to get them to identify with the organization, to exert themselves more on its behalf and to remain with the organization. Edralin (2011) implies effective training and development programs in an organization contribute in the form of enhancement of employees' skills which in result enable them to respond to the rapid changes taking place in the external environment of the organization.

#### **2.1.2.2 Performance Appraisal**

Evaluating employee performance is a key responsibility of managers. Performance appraisal is an employee review that is actually reflected in the information based on satisfaction. Yong (1996) describes performance appraisal as an assessment and grading function performed by an organization for all its employees on a regular or annual basis, on performance results in terms of

job content, job requirements and personal conduct in the position. According to Rao (1990), performance measurement is a method of evaluating employee performance in the workplace. It is also defined as a strategic and integrated approach to delivering continuous success to organizations by refining the performance of the people who work in them and by enhancing the capabilities of teams and individual contributors (Armstrong, 2006).

According to Armstrong (2009), performance appraisal is a management decision-making tool to assist management-related management decisions. This assessment supports organizations in many ways such as whether it is a way of assessing the suitability or value of employees for promotion, transfer or termination of staff and helps to distinguish between efficient and poor employees mentioned in Saqib, Khan, Ahmed & Ullah (2012). Armstrong (2010) defines the role of performance appraisal as a tool to look at what people need to do in an organization in order to achieve the goal of work to meet new challenges. When assigning responsibilities to employees, managers are expected to ensure that the tasks are performed as planned. This can be determined by performance testing. Therefore, performance appraisals are a systematic review period and individual performance appraisal (Decenzo & Robbins 2005).

The performance appraisal process usually includes the following basic steps (Aquinas 2006; Daoanis 2012; Mamoria and Rao, 2012); perform job analysis, establish performance standards, communication and employee performance standards, measuring real performance, compare actual performance with standards and starting a corrective action. Performance evaluation begins with job analysis, job description and job specification, which helps to establish general performance. Job analysis is used as a basis for improvement, including: job description; development of performance appraisal, performance standards are established based on job description. Employees are expected to perform the functions specified in the job description. Therefore, job descriptions form a comprehensive process by which employees' performance is measured. (Aquinas 2006).

The function of the performance rating is to obtain from the expected performance level. Also, it is important to compare and contrast actual performance with pre-determined performance levels (Seidu, 2012). When performance appraisals are done well, it provides feedback to employees about their performance and thus organizations (Ikramullah, Shah, Hassan, & Zaman, 2011). The final step in the performance appraisal process is the beginning of the

corrective action (if necessary). Corrective action can be of two types, some are faster and more effective with symptoms and some are basic and investigate the causes. Immediate corrective action is often defined as reducing or extinguishing fires, whereas basic remedies reach the source of the deviation and seek to correct permanent differences (Mamoria and Rao, 2012).

#### **2.1.2.3 Organization commitment**

Commitment is thought to be the psychological immersion of an individual with his institute through the feeling of belonging, possession of business goals and preparation to accept obstacles. Creating commitment among workers is essential because it will be tough for a company to achieve strategic objectives without this. Organizational commitment indicates an employee's involvement in executing his work with passion and excitement (Bedarkar & Pandita, 2018). The performance of any firm is directly associated with the commitment level of workers. Devoted employees can execute their duties more than management expectations. High-level commitment is indispensable for enhancing output and obtaining sustainable competitive advantages. Preparing and retaining committed workers is imperative for business growth, as dedicated employees work harder and perform their jobs with devotion and commitment (Sharma & Dhar, 2019). The goal of business growth is to enhance the capability of the company to improve its efficiency in attaining strategic goals. Building the firm's capability is possible when every staff member understands his duty and responsibility for results associated with his performance. Employee commitment is a requirement for every company to have extraordinary performance in the long run (Elnaga & Imran, 2018). Currently, the employees intend to give their outstanding performance individually and in group work. Currently, no firm can attain its highest levels unless each worker is committed to the company's goals.

Organizational commitment is a vital business subject since high levels of commitment brings about numerous positive organizational outcomes. Committed employees benefit their organizations in several ways (Shahid & Azhar, 2021). They will put forth extra efforts to accomplish their work, participate in extra-role behavior and assist the company in operating efficiently.

### **2.1.3 Theories on the HRM Practices**

Theories give a general explanation and rationalization to events. Hence a researcher should be familiar with those theories relevant to his area of research (Kombo & Tromp, 2009). Muiruri & Ngari (2014), state that a theoretical framework guides research, assist in identification of the variables to be measured, and determining what statistical relationships to look for in the context of the problems under study. Hence, the theoretical review of literature helps the researcher to detect clearly the variables of the study; assists in the selection of applicable research design; and provide a general framework for data analysis. Several theories and perspectives have been designed by different scholars to explain the possible link between HRM practices and Performance. These includes; Organizational behavior theory, motivation theory, The AMO (Ability, motivation and opportunity) theory, human capital theory and resource-based theory among others. Many researchers attempted to design a name for the HRM theories; this section describes three important theories which support HRM policy and practices in any organization.

#### ***2.1.3.1 Patterson's Model of HRM:***

The Patterson's model of HRM (1997) simply emphasizes that HRM practices can improve company performance by: Increasing employee skills and abilities, promoting positive attitudes and increasing motivation, providing employees with expanded responsibilities so that they can make full use of their skills and abilities (internet).

#### ***2.1.3.2. AMO theory***

This theory states that an organization attain its success when an employee has an ability, motivation and opportunity to participate (AMO); these are employee characteristics which lead an organization to a desired goal (Appelbaum et al, 2000. Bailey et al, 2001, Boxall and Purcell, 2003). HRM practices therefore have an impact on individual performance when they allow employees to get job related training in order to excel their skill & ability in turn which motivate them to participate in high job position which needs sophisticated skill.

#### **2.1.3.3 Organizational Commitment Theory**

Porter et al (1974, p 604) describe organizational commitment as “an attachment to the organization, characterized by an intention to remain in it; an indication with the values and



goals of the organization; and willingness to exert extra effort on behalf'. Organization commitment can have either a positive or a negative effect on organization. (Morrow,1993) employees with a low level of organizational commitment tend to be unproductive; when the commitment level is high Its end result is stable and productive work force.

In order to maintain organizational commitment in best position the organization human resource policies and practices shall be fair. Meyer and Allen (1997, p 47) “argues that one way that organizational fairness is communicated is through the development and enactment of specific policies and procedures that are and seen to be fair”. Therefore, a better human resource management can bring employee satisfaction and satisfied employees has organizational commitment according to this theory.

## **2.2 Empirical Literature Review**

A number of researchers have found a positive impact of HRM on organizational performance. For instance, Becker and Gerhart (1996), Becker and Huselid (1998), and Dyer and Reeves (1995) empirical studies found that firms which align their HRM practices with their business strategy will achieve superior outcomes

Guest et al (2003) researching on an exploration of the relationship between HRM and performance in 366 UK companies using objective and subjective performance data and cross – sectional and longitudinal data discovered that some evidence was shown of an association between HRM, as described by the number of HR practices in use, and performance, but there was no convincing indication that the greater application of HRM is likely to result in improved corporate performance. Joseph and Dai (2009), on their work on Human Resource Management Practices and Organizational Performance: regarding their study of organizational performance and human resource management techniques: An empirical analysis that used factor analysis of 13 bundles of HRM practices to survey 320 businesses. According to their research, there is a strong correlation between HRM practices and business performance, and HRM's strategic alignment also contributes to firm performance.

### **2.2.1 The effect of training and development on organizational performance**

Training and development is an important element of HRM (Vlachos, 2009). Organizational performance may benefit from training and development in several ways (Subramaniam et al.,

2011). Training is an organized activity that aims to impart instructions or information to improve the performance, knowledge, or skills of the trainee (Saed&Asgher, 2012). It is very necessary for the organization to design the training very carefully (Armstrong,2000), those organizations which develop a good training according to the need of the employees as well as to the organization always get good result (Partlow,1996), Tihanyiet al.,2000; Boudreau etal.,2001). Development refers to the activities that help individuals attain new knowledge or skills that are necessary for their personal growth. All-inclusive training and development programs help trainees to focus on the skills, attitudes, and knowledge that are necessary to achieve goals and to generate competitive advantages for an organization (Peteraf, 1993).

According to Ogohi (2018) conduct a survey on effect of training on organizational performance in Nigeria. The research try to find out the effect that training has on employee performance which in turn may affect organizational performance. The result of the study proof that employee skill, knowledge and ability gained from training has significant effect on productivity.(Jane,2018) ,( James,2017)states training has a positive and significant impact on organization performance and firms give priority to training to ensure high level of productivity

### **2.2.2 The effect of performance appraisal on organization performance**

Cumming (1972) established that the overall objective of performance appraisal is to improve the efficiency of the firm. Performance appraisal is the driver of employee performance. If the employees perform, better it leads toward the effectiveness of employees. If the employee is internally happy with his or her job, then it shows the productive results of an organization. Employees who get the fair appraisal system are more satisfied with an organization than other employees. Therefore, promotion is associated with low employee turnover (Fey et al., 2000). Gopal (2020) studied the impact of performance appraisal on organizational performance of service industry reveals that performance appraisal positively contribute to organizational performance explained by employee commitment, quality work and work flexibility

### **2.2.3 Organization commitment and performance**

Sigler and Pearson (2020) report that organizational commitment is an essential behavior in an organization and leads to high performance. Being responsible for goals, and having a sense of obligation to group needs and commitment to the team can be the exact definition of

commitment. When companies are in turmoil condition such behavior makes employees stay with it until the situation is over. Dedication to task and team performance is more considerable and eventful, particularly in unfavorable circumstances. Maybe the best time for assessing workers' dedication is when troubles arise. The commitment of the team's participants will be more powerful when it is anchored on human and moral values and when it has happened as a result of conscious selection; since doing affairs under compulsion and imposition will work in the opposite direction of commitment

Commitment refers to attachment and loyalty. It is associated with the feelings of individuals about their organization Armstrong (2010 p.185). Mowday (1998) stated that it is characterized by emotional attachment to one's organization that results from shared values and interests. The three characteristics of commitment identified by Mowday et al (1998) are:

- 1.a strong desire to remain a member of the organization.
2. a strong belief in and acceptance of the values and goals of the organization.
- 3.a readiness to exert considerable effort on behalf of the organization.

As Guest (1987:503)suggested, HRM polices are designed to 'maximize organizational integration, employee commitment, flexibility and quality of work'.Beeret al(1984:20)identified commitment in their concept of HRM as a key dimension because it 'can result only in more loyalty and better performance for the organization, but also self-worth ,dignity, psychological involvement and identity for the individual'.

#### **2.2.4 Organization Performance**

There are many ways to measure organizational performance. The performance indicator of organization depends on the objectives which the company intended to achieve such as profitability, Societal good (good reputation), Security of employment for the firm's personnel, Providing a satisfying return on investment, Innovativeness in processes and products, Customer satisfaction, Employee Satisfaction, Growth of market share, environmental contributions (positive, as well as negative), Technological leading edge and commitment.

According to Anwar, (2017) cited in k.Anwar& Abdullah,(2021) Organizational performance can be a challenging because of their various standards including sustainability, profitability, pleasing the group, and willingness to deal with environmental changes. Somehow, however, organizational performance can be calculated using financial metrics have generally been thought of as conceptualized on paper rather than in practice. on the results obtained is seen as in many other-phrasing it is the mix, product variety of stakeholders and non-output measures.

Organizational performance, according to Zhang et al. (2008), is defined as the degree to which an organization achieves its objectives with success. Dryer and Reeves (1995) suggested four possible measures of organizational performance: organizational outcomes (productivity, quality, service), human resource outcomes (turnover, absenteeism, job satisfaction), financial accounting outcomes (return on assets, profitability), and capital market outcomes (stock price, growth, returns).

### 2.3 Conceptual frame work

The following frame work shows the relationship between human resource management practice and organizational performance.

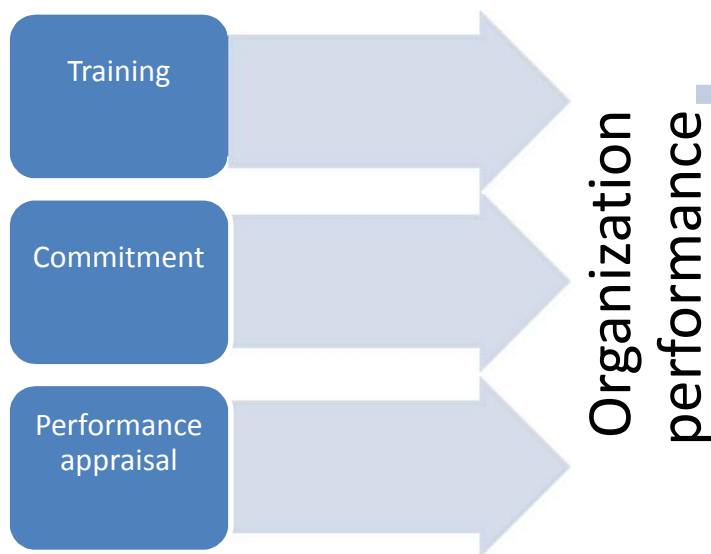


Fig 1: conceptual frame work

(Source: Literature review)

## **CHAPTER THREE**

### **3 Methodology of the study**

#### **3.1 Research Approach**

For the purpose of this study, Quantitative approach was used because the quantitative approach enables us to measure and observe information numerically, use standards of validity and reliability, relate variables in questions, identify variables to study.

#### **3.2 Research Design**

Based on the purpose of a study, explanatory research designs was applied. The main objective of explanatory research design to test the effect of HRM practices on organizational performance. The main objective of this study was to examine the effect of human resource management practice on organizational performance of EIC. To attain this objective, explanatory research design was used. Explanatory research design focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables being studied. (internet)

### **3.3 POPULATION, SAMPLE SIZE, AND SAMPLING TECHNIQUES**

Target population of survey is the total population of units for which the survey data are used to make inferences (Smyth, 2004). It is the population that a researcher wants to generalize the results of the study. The target population of the study was the entire staff of EIC. Currently EIC has more than 1,800 employees working all over the country in different districts, branches, satellite office and it is difficult to incorporate all staffs to the study; the research will focus only those employees working at head office and districts in Addis Ababa city. The total numbers of employees at head office are (400) and the four districts incorporate around 450 employees summed to 750.

#### **3.3.1 Sample Size Determination**

The sample size of the study has to be a good representative of the total population of the research and it has to be done with a due care.

Lavrakas (2008) explains a sample in survey research as a subset of elements drawn from a larger population. To determine sample size of the study the following formula is used to determine the sample size.

$n = N / (1 + N(e)^2)$  Where: n is the sample size, N is the population size and e is the error of sampling. For this study the error of sampling is set at 0.05.

$$N = 750 / (1 + 750(0.05)^2)$$

$$= 750 / 2.875 = 261 \text{ respondents}$$

We can see from the result above that the sample size was 261 from the total study population of 750 to maintain a 95% confident interval.

### 3.3.2 Sampling Technique

For the purpose of this study, the researcher used probability sampling technique to select sample participants. Specifically, the selection and distribution of questionnaires among employees was made based on simple random sampling. Simple random sampling was used because of the fact it allows to make statistical inference.

## 3.4 Data Source and Data Collection Method

### 3.4.1 Primary Data Source

Collection of the primary data has done using the questionnaires. The data was collected from employees of the head office and districts.

### 3.4.2 Method of data collection

The method of data collection instrument used for this study was questionnaire

**Questionnaires:** were used to collect data from management and non-management workers, close-ended questions will be prepared to make it easy for the respondents to respond questions related to HRM practices. The study used closed-ended questions due to closed-ended questions are often good for surveys, because one can get higher response rates. Besides, answers to closed-ended questions can easily be coded and analyzed makes them

particularly useful when trying to prove the statistical significance of a survey's results

### **3.4.3 Secondary Data Source**

Dawson (2009) states that secondary data source involves the data collected using information from studies that other researchers have made of a subject and all relevant data which support the study will be collected and analyzed from Journals, Magazine and work of previous researchers.

### **3.4.4 Reliability and Validity of data Collection Instruments**

Checking the validity and reliability of data collecting instruments before administering the actual study it is vital to assure the quality of the data. To ensure the validity of instruments, initially, the instruments was prepared by the researcher and evaluated by advisors. The questionnaires were pilot tested. The respondents of the pilot test will not be included in the main study. Based on the respondent's response modification of question had made.

A reliability test is performed to check the internal consistency and accuracy of the measurement scales. The internal consistency was analyzed using Cronbach's Alpha, describing the extent to which all the items measure the same concept or construct and, hence, it is connected to the inter-relatedness of the items. The reliability coefficients between 0.70–0.90 are generally found to be internally consistent (Tavakol&Dennick, 2011).

The study used Cronbach's' alpha to assess reliability of the questionnaire. Cronbachs' coefficient alpha is the most common way of measuring internal consistency. Cronbachs' coefficient (alpha) may range between 0 to 1, with 0 indicating an instrument full of errors and 1 indicating to absence of error. According to Oyerinde,(2011) cited in kannan Abate (2022) The closer Cronbach's alpha coefficient is to 1,the higher the internal consistency reliability. A reliability coefficient (alpha) of 0.70 is considered acceptable, reliable and recommended for new questionnaire.

**Table 3.1: Reliability Test Result**

<b>Variables</b>	<b>Cronbach Alpha</b>	<b>No. of Items</b>
Training and development	.79	10
Performance appraisal	.76	8
Organization commitment	.85	4
Organizational performance	.90	10

Source: SPSS output

The reliability of the questionnaire was tested using the Cronbach's alpha correlation coefficient with the aid of Statistical Package for Social Sciences (SPSS) software.

### **3.5 Method of Data Analysis**

For this study, the quantitative data gathered through structured questionnaires were processed via SPSS (Statistical Package for Social Sciences) and analyzed by using descriptive (frequency, percentage, mean and standard deviation) which enable us to describe the characteristics of variables under study and inferential statistics (correlation and regression analysis) was used to test the hypothesized relationships and to determine the relative importance of each independent variable in explaining the variation organizational performance of the case company.

### **3.6 Ethical consideration**

The researcher had made her best to address ethical consideration of confidentiality, privacy, and informed consent. Consent was obtained from the administrative of the corporation after explaining the relevance of the study. All the study participants were informed about the purpose of the study and verbal consent of all study subjects was obtained before data collection. Participants were also being informed that they had full right to discontinue or refuse to participate in the study. To ensure confidentiality, the name of interviewee is not part of the questionnaire.



## CHAPTER FOUR

### Data Analysis, Results and Discussion

#### 1.1 General Information of the respondents

This section analyzes respondents' general information. Gender, age, level of education, and position in the organization, all questions were asked to respondents. This information isn't essential to meet research objectives, but they provided important information that helps the researcher to determine the ability of the respondents to contribute meaningfully to the investigation. The result is presented in Table 4.1

Table 4.1 below shows the gender distribution of the respondents who participated in the study. The findings showed that male respondents were more than female respondents and this implies that most of the work forces in the organization are males.

The age distribution was (72.7%) 160 respondents age between 26-40 years, 51 respondents (23.2%) were age between 41-55 years, 7 respondents (3.2%) were between 18-25 years and the remaining 2 respondents (0.9%) were over 55 years. The different age groups were therefore well represented in the study.

Regarding the educational qualification, 69.0% respondents were having first Degree, 34.1% respondents were having Second Degree holder, and the remaining 1.4 % of the respondents have Diploma. This therefore means that the respondents who participated in this study are well informed about the human resource management practices. These respondents were therefore able to give their perceptions of the human resource management practices by answering the questionnaire.

Concerning respondent position in organization, 80.5% were non managerial position workers, while 19.5% were worked on managerial position.

Regarding the length of service in current organization, 24.1% were stayed for 1–5 years, 31.4 % were stayed for 6–10 years, 23.2% were stayed for up to fifteen years and the remaining 21.4% were stayed for more than fifteen years in EIC. This indicates that participants have been with the current company for a longer period of time and have a good understanding of the company's human resource management practices

Main factor	Factor level	Frequency	Percentage
Gender	Male	148	67.3
	Female	72	32.7
<b>Total</b>		<b>220</b>	<b>100</b>
Age	18-25 years	51	23.27
	26-30 years	160	75.9
	46-55 years	2	.9
<b>Total</b>		<b>220</b>	<b>100.0</b>
Educational Level	Diploma	3	1.4
	First Degree	142	64.5
	Masters Degree	75	34.1
<b>Total</b>		<b>220</b>	<b>100.0</b>
Service year in EIC	1-5years	53	24.1
	6-10 years	69	31.4
	11-15 years	51	23.2
	over 15 years	47	21.4
<b>Total</b>		<b>220</b>	<b>100</b>
position	management	43	19.5
	non -management	177	80.5
<b>Total</b>		<b>220</b>	<b>100.0</b>

Table 4.1 General information about the respondents.

*Source, (survey data, 2023)*

## 1.2 Descriptive analysis of study variables

Descriptive statistics were used to explain the basic features of the data that was collected from the field. They present simple summaries about the sample and the measures together with simple graphic illustrations. This section discusses the descriptive statistics of measures of the three major human resource management practices (training and development, performance appraisal and organization commitment) and organizational performance that were collected by the questionnaire.

The analysis of this study was done using descriptive statistics; from these the researcher used the mean scores of each variable. The main reason for using this measurement was to demonstrate the average responses of respondents for each question that was included under each dimension of the predictor variable. Finally, the interpretation is made by using the grand mean of each independent dimension for the aim of achieving partial research objectives of the study.

A range of mean was constructed by using itemized Likert rating scale. The researcher used (Shrestha, 2015) guide to interpret the result which is presented in the Table 4.2. The mean of each individual item ranging from 1-5 falls within the following interval:

Table 4.2: Descriptive statistics result interpretation guide

Interval of Means	Interpretation
1.00– 1.80	Very Low
1.81– 2.60	Low
2.61– 3.40	Medium
3.41– 4.20	High
4.21– 5.00	Very High

**Source:** (Shrestha, 2015)

### 1.2.1 DESCRIPTIVE ANALYSIS OF TRAINING AND DEVELOPMENT

Training is a planned effort to enable employees to learn job related knowledge, skills, and behavior. Development involves acquiring knowledge, skills, and behavior that improve employees' ability to meet the challenges of a variety of new or existing jobs, including the client and customer demands of those jobs. With this view the survey was provided related

Questions to assess respondent view on the company training and development practices.

<b>Table Training and development practice</b>		
	Mean	Std. Deviation
	Statistic	Statistic
EIC has good training and development practice	3.130	1.117
Training is provided in EIC to attain set objectives	3.140	1.103
EIC provides frequent training opportunity	2.800	1.055
EIC gives both on-the-Job and off-the Job training	3.080	1.110
There are training manuals that are prepared to facilitate the training.	3.060	1.067
Training need identified based on performance appraisal carried frequently	2.500	0.953
The training provided by HRM department is implemented to meet the annual plan not to fill the skill and knowledge gap.	3.000	1.195
The training provided by EIC is to help employees to get to know new technology related to the business.	2.870	1.099
In EIC the success of the training is measured based on training effectiveness mechanisms.	2.580	0.988
The quality of training provided has an effect on employee performance	3.090	1.133
<b>Grand mean</b>	<b>2.925</b>	

**Table4.3: Respondents view on the training and development practice**

As showed on table4.3.the respondents disagree that the quality of training provided has an

effect on employee performance with a (mean=3.09),with regard to training provided by HRM department to full fill the annual plan most respondents express their feelings by agreeing with a (mean 3.00),and the respondents disagree to the organization has good training and development practice(mean=3.13)and they disagree that the training provided by EIC to meet set objectives with a (mean=3.14),in addition, the respondents disagree that employees get frequent training opportunity with a (mean=2.80),and disagree to that training provided is practiced on the job and off the job with a (mean=3.08)and disagree that training manuals are prepared and distributed to trainers in advance to facilitate the training process with a (mean=3.06), and also the respondents are disagree on the training provided help employees to get to know new technology and new way of doing the business with a(mean=3.00),and the respondents are disagree on the success of training measured based on training effectiveness mechanism with a (mean=2.58) while, the respondents are express their feeling by disagreeing on that a training need is identified based on performance appraisal carried out frequently with a (mean=2.5) which is low. Finally, the mean response for training and development practice is 2.92, which according to Shrestha(2015), is low. This implies the company training and development practice as whole are on a low level and which in turn indicated that the area needs improvement.

### **1.2.2 DESCRIPTIVE ANALYSISOF PERFORMANCE APPRISAL PRACTICE.**

Evaluating employee performance is a key responsibility of managers. Performance appraisals, a powerful tool, provide to documented feedback on an employee's level of performance. It helps to determine continued employment, promotion, transfer, bonuses, and pay raises, and allow for improved communications between managers and employees. With this regards the study was assessed the performance appraisal practice through Shrestha (2015) descriptive statistic result interpretation guide.

	Mean	Std. Deviation
	Statistic	Statistic
performance appraisal mechanism in EIC is clear	2.41	.859
Performance appraisal takes place at least once a year in the corporation	2.32	.838
Result of performance appraisal in EIC is communicated to employees	2.47	.976
The process of performance appraisal in EIC is done in a fair way.	2.28	.759
Performance appraisal helps employees to promote and develop their carrier.	3.16	1.224
human Resource Management decisions foe promotion, termination, Training and layoff is purely based on performance appraisal	2.35	.817
The result of performance appraisal used to reward good performer employees in a better way than other fewer performer employees	2.45	.923
The appraisal data are used by the HR department for other developmental decisions like job rotation, job enrichment.	2.40	.852
<b>Grand mean</b>	2.48	.906

**Table 4.4: Respondents view on performance appraisal practice**

The study measures performance appraisal in terms of clarity of the appraisal mechanism, frequency of performance appraisal carried out with in the year, fairness of the appraisal process, the function of performance appraisal on HRM decisions and the extent of feedback provided to the employees. Table 4.4 also shows the grand mean value for each the performance appraisal related questions. Accordingly, the mean value for performance

appraisal standard measures is 2.48 which according to Shrestha (2015) is low. Most of the respondent disagree on that performance appraisal helps employees to promote and develop their carrier with a (mean=3.16) on the other hand respondents response on the clarity of performance appraisal mechanism disagree (low) with a (mean=2.41), this implies they disagree on the clarity of the appraisal mechanism, and they also disagree on the frequency of performance evaluation carried out within a year with a (mean=2.32) which is low, this implies that the corporation does not carried out performance evaluation frequently as most literature suggest in order to check the level of employees status with regard to performing their day to day activity. The mean value of the result of performance appraisal communicated to the employee is 2.47, which is also low implies respondents don't get feedback on performance appraisal carried out related to their performance from their immediate bosses.

Respondents also express their feelings on the fairness of the appraisal process with a (mean=2.28) which is low, request on HRM decisions related to promotion, termination, training and layoff most of respondents disagree on the appraisal data where not used by the HR department for actions like promotion, training and other developmental decisions with a (mean=2.35). Other development decisions like job rotation, job enrichment, etc. with a (mean=2.35) which is low, a statement that the result of performance appraisal uses to reward good performer employees in a better way than other fewer performer employees the respondents disagree on it with a (mean =2.45) which is also low. Thus, the company need to consider these issues and improved them performance appraisal practices in the future.

### **1.2.3 Organizational Commitment Practices**

Organizational commitment is a view of an organization member's Psychology towards his/her attachment to the organization that he/she is working. It plays a vital role in determining whether an employee will stay with the organization for a longer period of time and work diligently towards achieving the organization's goal.

**Table 4.5: Respondents view on organization commitment.**

	Mean	Std. Deviation
	Statistic	Statistic
I am proud to tell others that I am part of EIC	3.72	1.144
I am glad to choose to work for EIC	3.68	1.106
I understand how I contribute to EIC's goals	3.71	1.129
I really care about the fate of EIC	4.00	.991
<b>Grand mean</b>	3.78	1.092

As showed in the above in table most of respondents are agreed on to tell others that they are Part of the corporation with a (mean=3.72),this implies that have an affection to their organization, and also large number of respondents agreed on choosing EIC to work with by a (mean =3.68) which is high ,most respondents agreed on how they contribute to the goal set by the corporation with a(mean=3.71),finally respondent s agree on they are really care about their corporation future with a(mean=4.08) which is the largest mean of the group. The grand mean responsefororganizationcommitmentis3.78, which according to Shrestha (2015), is high. This implies the organizational commitment practices as whole are on high level and which in indicate the respondents are willing to give their best to organization achieve organizational set goal by management.

#### **4.2 4. Respondents view on Organizational Performance**

The respondents were also asked to rate their opinion concerning organizational performance of Ethiopian Insurance Corporation. The summary of their responses to specific questions, as revealed by the results, will be presented in table4.6.

In order to measure the corporation performance, questions regarding measures of organizational performance were asked. The grand mean value for organization performance is 3.00. This is an indication that the company has Medium level of performance according to its respondents' perception. Regarding individual item of organizational performance



measure, statement that corporation provide quality service to customer had got the mean (3.30), ability to attract new customers has mean value (3.10). The number of customers has been increasing the last five years with the mean(3.01).On other hands, statement that the corporation has ability to achieve sated goal with the mean(3.12) , The reputation and brand image of the corporation has improved with a mean(2.96), the corporation product and service quality has improved over the years with a mean(2.72), Each department ,understand the role it plays in achieving organizational goals with a mean(2.84), the number of customer complaints with in the last period with a mean(2.64) , customers are satisfied with the service provided with a mean (2.73), EIC is a reliable partner has reduced with a mean (3.53).

	Mean	Std. Deviation
	Statistic	Statistic
EIC provide quality service to its customers.	3.30	1.144
EIC has the ability to attract new customers.	3.10	1.156
The number of customers in EIC has been increasing over the last five years	3.01	1.161
The corporation is able to achieve stated objectives.	3.12	1.137
The reputation and brand image of the corporation has improved .	2.96	1.148
The corporation product and service quality has improved over the years.	2.72	1.051
Each department understand the role it plays in achieving organizational goals.	2.84	1.076
The number of customer complaints with in the last period has reduced.	2.64	1.026
Customers are satisfied with the service provided.	2.73	1.014
EIC is a reliable partner.	3.53	1.199
Grand Mean	3.00	1.111

*Source: (Survey Data, 2023)*

**Table4.6: Respondents view on organizational performance**

## 4.3. INFERENCE ANALYSIS

### 4.3.1 PEARSON CORRELATIONS

Pearson's correlation (also called Pearson's R) is a correlation coefficient commonly used in linear regression. It is the most common method to use for numerical variables; it assigns a value between -1 and 1, where 0 is no correlation, 1 is a total positive correlation, and -1 is a total negative correlation. This is interpreted as follows: a correlation value of 0.7 between two variables would indicate that a significant and positive relationship exists between the two. According to (Benesty, 2009) a positive correlation signifies that if the variable independent goes up, then dependent variables will also go up, whereas if the value of the correlation is negative, then if the independent variable increases, dependent variables also decrease.

The findings of the study are presented in Table 4.8. The result shows that there are positive but moderately strong relationship between the three HRM practices (Training & Development, Performance Appraisal, and organization commitment) and organizational performance. The results show that training and development as HRM practices was positively correlated to organizational performance with a Pearson's Correlation Coefficient of  $r = 0.531$  and at level of significance of 0.000, was statistically significant as the p-value is less than 0.01. This relationship was moderately strong. The results also revealed that there is a moderately strong and positive relationship between the remaining two HRM practices, performance appraisal, and or and organizational performance with a Pearson's Correlation Coefficient of  $r = 0.458$  and 0.550 respectively

## Correlations

		Training and development practice	Performance Appraisal	organization commitment	Organization performance
Training and development practice	Pearson Correlation	1	.549**	.398**	.531**
	Sig. (2-tailed)		.000	.000	.000
	N	220	220	220	220
Performance Appraisal	Pearson Correlation	.549**	1	.284**	.458**
	Sig. (2-tailed)	.000		.000	.000
	N	220	220	220	220
organization commitment	Pearson Correlation	.398**	.284**	1	.550**
	Sig. (2-tailed)	.000	.000		.000
	N	220	220	220	220
Organization performance	Pearson Correlation	.531**	.458**	.550**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	220	220	220	220

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

**Table 4.7 correlation table**

### 4.3.2 Multiple Regression Analysis

The regression model is used here to describe how the dependent variable changes with changing conditions. Predictive regression analysis was carried out for training and development, performance appraisal, and organization commitment in organizational

performance. Before running the regression, a pre-test of Multicollinearity, Normality and Heteroscedasticity, Linearity and Derban-wastson was performed.

#### 4.3.2.1 Multicollinearty Test

When two or more independent variables are substantially correlated with each other, multicollinearity arises. This complicates determining which independent variable contributes to the variation explained in the dependent variable (Simon,2004).The Variance Inflation Factor (VIF) is a tool for determining if study variables are multicollinear.Variance Inflation Factor was checked for indication of multicollinearity where the innumerical values were all well below thecutoffvalueof10suggestedby Neter,etal.,(1996).There was no collinearity among the independent variables based on this rule of thumb.

Table 4.8: Multicollinearity test for the study variables

	model	Tolerance	VIF
	Training and development practice	.635	1.575
	Performance Appraisal	.694	1.441
	organization commitment	.835	1.197

#### 4.3.2.2 Linearity

The linearity assumption in multiple regression analysis assumes that the dependent variable and each of the independent variables, as well as the dependent variable and the independent variables collectively, must have a linear relationship (Asghar&Saleh,2012).The most frequent method for evaluating linearity is to create scatter plots and then visually evaluate them for linearity. It is assign of linearity if the figure has no evident pattern and the points are evenly distributed above and below zero on the X-axis, and to the left and right of zero on the Y-axis. The scatter-plot of studentized residual against linearly predictive value is shown in the figures below. The figures have a horizontal band of points indicating the linear relationship.

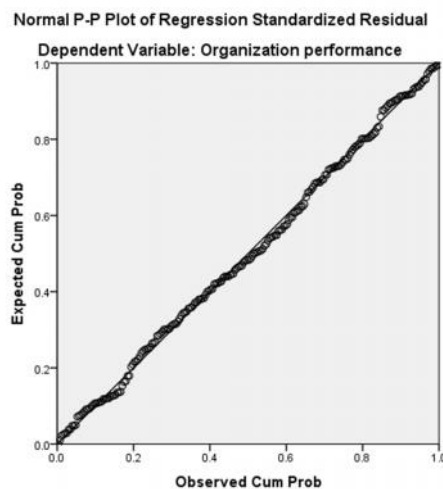


Fig 5.1 linearity test for study variables

#### 4.3.2.3 Autocorrelation

In multiple regressions, the assumption of autocorrelation (serial correlation) is a critical assumption that the error terms are independent of one another. This is especially true for time series data, which are organized chronologically. The Durbin-Watson test is one of the most widely used methods for determining if there is auto correlation, or a linear connection between the error terms for one observation. If the value of  $d$  is between 1.5 and 2.5, there is no auto correlation, according to Cochrane (1997). As may be seen in table 5.4, the outcome revealed that there is no autocorrelation.

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.668 <sup>a</sup>	.446	.439	.62455	1.887

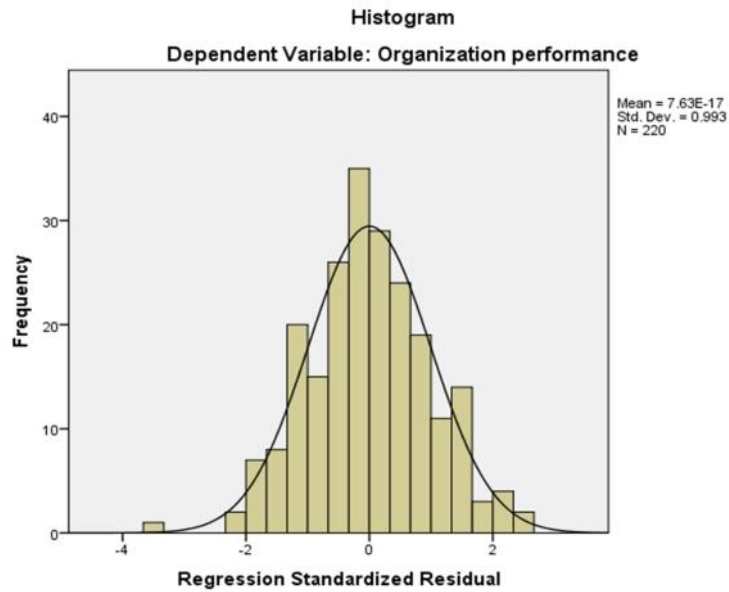
a. Predictors: (Constant), organization commitment, Performance Appraisal, Training and development practice

b. Dependent Variable: Organization performance

**Table 4.9 Autocorrelation test for study variable**

#### 4.3.2.4. Normality

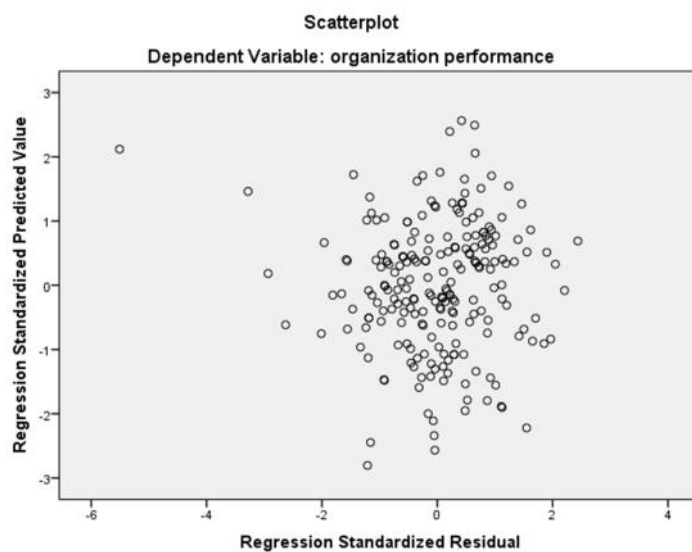
The normality assumption in multiple regressions assumes that residuals (errors) are nearly regularly distributed. The residuals of the regression should follow a normal distribution in order to derive accurate inferences from regression analysis. Plotting normal P-P or Q. Q for the dependent variable to support the given result is a straightforward technique to check these assumption (Asghar&Saleh, 2012) .The cumulative probabilities (values range from 0 to 1) are plotted on the X-axis, and the predicted probabilities given the normal curve are plotted on the Y axis. The points would be on a straight diagonal line if the sample was exactly normally distributed. The graph below illustrates Normal P-P plots for the dependent variables (organizational performance), in which the points lie on a straight line, indicating that the data is normally distributed.



**Fig5.2 Normality test**

#### 4.3.2.5 HETEROSCEDASTIC TEST

Heteroscedasticity is a systematic change in the spread of the residuals over the range of measured values. It is a problem because ordinary least squares regression assumes that all residuals are drawn from a population that has a constant variance or homoscedasticity. To satisfy the regression assumptions and be able to trust the results, the residuals should have a constant variance. Based on figure 5.3 the result shows that the spread of the errors is close to the value and the spread of the errors is constant across the value, this means that heteroscedasticity is not present.



**Fig 5.3: Heteroscedasticity test**

## 4.4 Analysis of Regression Results

The main objective of study was to examine the effect of human resource management practice on performance of Ethiopian Insurance Corporation. This was done through regression analysis. The independent variable human resource management practices are operationalized through performance appraisal, employee training & development and organization commitment. Thus, study sought to determine the effect of each of the human resource management practice (performance appraisal, employee training & development and organization commitment) on the organizational performance. The result of the regression analysis is presented in the following section.

### 4.4.1 The Multiple Coefficient of Determination $R^2$

Coefficient of determination explains the percentage of variation in the dependent variable (the organizational performance) that is explained by the entire three independent variables (performance appraisal, training & development and organization management). The table 4.13 below show the model summary.

*Table 4.10: Model Summary for HRM practices and the organizational performance<sup>b</sup>*

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.668 <sup>a</sup>	.446	.439	.62455

a. Predictors: (Constant), organization commitment, Performance Appraisal, Training and development practice

The result shows that the three independent variables performance appraisal, employee training & development and organization commitment) that were studied explain 44.6 % of variation organizational performance are presented by the  $R^2$  value. The remaining 55.4 % of the variability in organizational performance is left unexplained by the explanatory variables used in the study.



## 4.5 ANOVA Interpretation

The result in ANOVA Table 4.11 show that the sum of squares of the regression is 67.922 at 3 degrees of freedom and a mean square of 22.641. The residual sum of squares is 84.252 with 216 degrees of freedom and mean square value of .390. The test for the joint significant which is given by the F statistic is 58.044, it is statistically significant. This implies that the independent variables that are performance appraisal, employee training & development and organization commitment, considered were relevant in explaining organizational performance of Ethiopian Insurance Corporation.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	67.922	3	22.641	58.044	.000 <sup>b</sup>
Residual	84.252	216	.390		
Total	152.174	219			

a. Dependent Variable: Organization performance

b. Predictors: (Constant), organization commitment, Performance Appraisal, Training and development practice

Table 4.11 Anova table

## 4.6 Regression Coefficients

The result in Table 4.12 shows the coefficients of the regression. According to the findings, the three HRM practices (performance appraisal, employee training & development and organization commitment) are significant in predicting the organizational performance since the p values were less than 0.05. The table shows the extent to which each independent variables influence the other called dependent variable. The relative importance of independent variables in contributing to the dependent variable is explained by the standardized beta coefficient. The beta value is

positive and it explains that a higher positive effect of human resource management practices with higher organizational performance,

From the finding in Table 4.12 Performance appraisal as one practice on HRM has a positive and significant effect on organizational performance with a beta value (beta=.299) and t value of 3.330 which is also statistically significant. Similarly, Training & Development has also positive and significant effect on organizational performance with a beta value (beta 3.42) and t value of 4.180 which is also statistically significant. Organization commitment has a positive and significant effect on organizational performance with a beta value (beta=.353) and t value of 6.982 which is also statistically significant.

**Table 4.12 Coefficients of regression**

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
	(Constant)	-.140	.240		.582
	Training and development practice	.342	.082	.266	4.180
1	Performance Appraisal	.299	.090	.202	3.330
	organization commitment	.353	.051	.387	6.982

a. Dependent Variable: Organization performance

When these beta coefficients are substituted in the equation, the model becomes

$$Y=0.342TD+0.299PA+0.353OC-0.140$$

Where: Y is the Organizational Performance of Ethiopian Insurance Corporation. PA is Performance Appraisal, TD is Training & Development and OC is organization Commitment.

This means that holding other factor constant one-unit increase in training and development practice result in 0.342 unit increase in the organizational performance, one unit increase in performance appraisal practice result in 0.299 unit increase in organizational performance, and one unit increase in organization commitment result in 0.353 unit increase in organizational performance.

## **DISCUSSION TO THE FINDINGS**

The regression result of the training and development practice of the study revealed that organization performance significantly affected by when employees get better training and development the same wise other researchers findings also showed the same result. (Habib and Ngul, 2019) who studied on the effect of employee training on organizational performance, their study established and evidenced that on the job training and job orientation enhances employees ability to discharge their duties and this has a positive influence on organizational performance. (Mutahi, 2015) who studied the effect of human resource management practices on performance of public universities using resourcing practice, reward management, and training and development ), the result revealed that the training and development positively influence performance. (Pradhan, 2020) who studied the impact of performance appraisal on organizational performance revealed that performance appraisal positively contribute to organizational performance. (Engetou, 2017), who studied the impact of employees' training and development on organizational performance maintained that training and development is a necessity in every company particularly for the unskilled or the fewer experienced employees. Thus, it led to a positive impact on employees' performance and an improvement in their skills and job efficiency.

The findings are consistent with the findings of the study made by Desalegn and Mesfin whose results revealed that there exist a positive relationship between human resource practices and organization performance. Desalegn (2017), tried to assess the effect, the relationship and the extent between human resource management practice and organizational performance by conducting it using all five dimension of human resource management practices planning, recruitment and selection, training and development, performance appraisal and reward. The findings of the study were that in Ethiopian Orthodox Tewahdo Church the human resource

management practice influence organizational performance moderately. Mesfin (2019), studied the effect of human resource practice on organizational performance with the objective human resource planning, training and development, performance management, promotional management and compensation management the findings shows that there was a positive relationship between human resource management practice and organizational performance except promotional practice has no significant effect. The study results show that a human resource management practice had directly affect organizational performance.

The regression result of organization commitment demonstrated that  $t = 353$  level of significance is 0.000 confirmed that it significantly affects organization performance. According to Stackhouse .et.al (2022), the study results revealed that employee commitment has a positive and significant impact on organizational performance, employee commitment is a good predictor in explaining the organizational performance among the organizations in Sweden, as the reported p-value was 0.000, which was less than the conventional probability significance level of 0.05.

### **Hypothesis Testing.**

Hypothesis testing is based on standardized coefficients beta and P-value to test whether the hypothesis is rejected or accepted.

H<sub>1</sub>: There is statistically significant and positive relationship between training and development and organizational performance.

Research hypothesis one predict statistically significant and positive relationship between training and development and organizational performance. Similar to the hypothesis, the regression output witnessed the positive and statistically significant relationship and this would enable the researcher not to reject the hypothesis H<sub>1</sub>.

H<sub>2</sub>: There is statistically significant and positive relationship between performance appraisal and organizational performance.

Research hypothesis two predicts statistically significant and positive relationship between performance appraisal and organizational performance. Similar to the hypothesis, the regression

output showed positive and statistically significant relationship and this would enable the researcher not to reject the hypothesis H2.

H3: There is statistically significant and positive relationship between organization commitment and organizational performance.

Research hypothesis three predicts statistically significant and positive relationship between organization commitment and organizational performance. Similar to the hypothesis, the regression output noted that positive and statistically significant relationship and this would enable the researcher not to reject the hypothesis H3.

Result Summery Table 4.13

Hypothesis	Human Resource Management Practice (Independent variables)	Organizational Performance (Dependent variable)
H1	Training and Development	=.342 Sig=.000
H2	Performance Appraisal	=.299 Sig=.000
H3	Organization commitment	=.353 Sig=.000

Hypothesis Summarization

Source: (Survey data,2023)

## CHAPTER FIVE

### Summary, Conclusions and Recommendations

In this Chapter, the summary of the whole research is made, conclusions are drawn from major findings with recommendations to answer the problems had been forwarded.

#### 5.1. SUMMARY

The objectives of this research were to identify the effect of human resource practice on organization performance whether the practice has been properly implemented or not. The research also tried to find out its contribution to the implementation human resource practices in the corporation in order to enhance employee satisfaction which leads to better organization performance.

To achieve the objectives of the research and to address the basic research questions, data were collected through carefully structured questionnaires. These questionnaires were for both employees and managers and were administered among the staff at the head office and districts reside in Addis Ababa. The purpose was to assess the respondents' attitudes towards the human resource practice of EIC and its effects on performance. The collected data were analyzed and interpreted using SPSS 20 software.

The study sample had 261 questionnaires distributed and 220 were duly completed and returned for analysis. This represented a response rate of 84.2% which according to Mugenda (2003) is good response rate. Multiple linear regression was used to test the hypotheses, tests of significance using t- tests has indicated varying level of significance amongst the independent variables as well as when combined, against the dependent variable. To maintain the data validity and acceptability of the regressed result of the research, the most critical regression diagnostic tests consisting of Normality, linearity, Multicollinearity, Heteroscedasticity and autocorrelation were tested.

The findings of the study revealed that the cumulative effect of various human resource management practice influenced organization performance positively. These findings were both supported by the correlation regression results.

The correlation summary of the finding describes that there is a positive relationship between organizational performance and training and development ( $r=0.531$ ,  $P < 0.01$ ). Therefore, it can be implied that an increase in training and development is associated with increased organizational performance. Secondly, the findings showed that there is moderate positive relationship between performance appraisal and organizational performance ( $r=0.458$ ,  $P < 0.01$ ), which means that an increase in performance appraisal is associated with an increase in organizational performance. Thirdly, the finding in the correlation shows that there is a direct relationship between organization commitment and organizational performance ( $r=0.550$ ,  $P < 0.01$ ), mean that increase in the organization can directly increase the organizational performance.

The model summary of the finding indicates that there was a moderate positive relationship ( $R=0.668$ ) between the dependent and independent variables. The value of R-square 0.446 indicates that 44.6% of the variation in the organizational performance in the corporation is explained by the independent variables of the study (training and development, performance appraisal, and organization commitment). The finding of the study made that holding training and development, performance appraisal, and organization commitment, at zero organizational performance will be 0.140 effective.

## 5.2 conclusion

The study was undertaken to examine the effect of the human resource management practice on organizational performance of EIC. Accordingly, based on the findings presented in the above section; the researcher makes some conclusions concerning the relationship between the human resource management practice and organizational performance.

The first specific objective of the study sought to assess the effect of training and development practiced on organizational performance of EIC. Results revealed that training and development practice as significant and positive effect on organizational performance of EIC. This is supported by the test for significance which showed that the effect was statistically significant.

This means that training and development has a higher potential of improving organizational performance level of EIC so that company should therefore leverage on this practice and make it a reference point for improve the organizational performance.

The second specific objective of the study aimed to determine the effect of performance appraisal practice on organizational performance of EIC. The finding demonstrated that performance appraisal practice has significant and positive effect on organizational performance of EIC. The test for significance was showed that the effect was statistically significant. This means that performance appraisal practice as a potential of improving organizational performance level of EIC; so that the company should therefore work hard to improve this practice and used it as an important tool for improving the organizational performance.

The last specific objective of the study intended to assess the effect of organization commitment practice on organizational performance EIC. The result illustrated that organization commitment practice as significant and positive effect organizational performance of EIC. The test for significance also was showed that the effect was statistically significant. This means that organization commitment practice is good at predicting organizational performance of EIC. This implies that the company should therefore work hard on organization commitment practice as one human resource management practice.

Overall, it can be concluded that all the three human resource management practice (, employee training & development, performance appraisal and organization commitment) influence organizational performance of EIC positively and significantly. The improvement of these human resource management practices by the corporation has a higher potential of improving organizational performance. Thus, it can be concluded that improved human resource management practices are an increasingly important way to ensure the better organizational performance. Therefore, the management of EIC should much emphasis on these three human resource management practices as a way of improving the corporation performance.



### 5.3 Recommendation

Based on the findings and conclusions of the study, the researcher provides the following recommendations aimed at ensuring that the human resources practices adopted by the company play a positive role in ensuring the improved performance.

As regards to the training and development practice, the corporation should formulate strategies for both short and long-term training and development policies for their employees. Training need assessment and knowledge gap of the employees must be identified before selecting & assigning employees for training. To achieve these, employees should be involved in strategy development activities of the company starting from the formulation through implementation and up to evaluation of training and development strategies. More so, management should consider different HRD programs including continuing education a training, career development, etc.

The corporation human resource director should also ensure that training needs analysis is conducted regularly in order to establish the training needs of the employees in line with corporate strategy.

Concerning the performance appraisal practice, the corporation should follow up the performance management process closely. The company needs to re-evaluate its performance appraisal within the context of its corporate and HR strategy to ensure that they are consistent with the necessary performance measures required by the insurance sector. Hence, the company should apply standard techniques for employees' job evaluation, performance measurement and audit as routine work. The study also recommends that providing training to raters (immediate bosses) can be used to increase the accuracy of performance evaluation and increase perceptions of fairness. Customers' evaluation of the individuals working with the company can be essential in boosting their performance. Subordinate evaluations and peers or co-workers should be used to give valuable information to better evaluate the individual performance. On the basis of the result, their duties and responsibilities should be redesigned and restructured. Because it will reduce the repetitive work and reduce monotonous environment. The measurement mechanisms also should be clear and measured accordingly.

The study recommends that EIC should continue ensuring there is employee commitment. The corporation needs to increase employee commitment by including them in decision-making, which will ultimately increase their commitment to the organization. High levels of employee satisfaction in an organization are related to work commitment. Moreover, it is recommended that organizations should encourage transparency. When an organization keeps employees informed, they feel valued and trustworthy. This increases their sense of belonging and, in turn increases commitment to work.

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## Appendix I

### Saint Marry University

### School of Graduate Studies

#### **Survey questionnaire for MA Program in Human Resource Management Practice on Organization Performance designed to be filled by EIC Employees.**

The purpose of this questionnaire is to collect data for postgraduate study at St. Mary's University for the study entitled " **The Effect of human resource management practices on organizational performance: The case of Ethiopian Insurance Corporation**". This questionnaire is required to assist in determining the objectives of the study. Your privacy will be kept anonymously and, therefore, no one knows who provided the information. Any information provided will be used for academic purpose only and will be treated in strict confidence. Therefore, you are kindly requested to provide your responses to different questions below. Thank you in advance for agreeing to participate in this study.

#### **Respondents Profiles**

**Instruction:** -Circle your response or indicate " " in the box beneath for each question. You don't need to write your name.

1.	Sex:	a) Male	
		b) Female	
2.	Age:	a) 18-25years	c. 41-55years
		b) 26-40years	d. over 55years

3.	Education level	a) Diploma b) First Degree c) Master Degree d) PhD
4.	For how long have you been employed in this Corporation?	a) 1 – 5years b) 6 – 10years c) 11 – 15years
5.	Current Position in the Corporation	a) Management b) non-management

### Training and Development Practice

Please indicate the extent to which you agree with the following statements by putting in the space

Provided. 5=Strongly Agree 4=Agree 3=Neutral 2= Disagree 1=Strongly Disagree

SN.	Training and Development Evaluation Practice	Rating scale				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
1.	EIC has a good training and development practice					
2.	Training is provided in EIC to attain set objectives					
3.	EIC provide employees frequent training opportunity					
4.	EIC gives both on-the-job and off-the-job training					
5.	There are training manuals that are prepared to facilitate the training					
6.	Training need identified based on performance appraisal carried out frequently					
7.	The training provided by HRM department is implemented to meet the annual plan not to fill the skill and knowledge gap					

8	The training provided by EIC is to help employees to get to know new technology related to the business					
9	In EIC the success of the training is measured based on training effectiveness mechanisms.					
10	The quality of training provided by EIC has an effect on employee performance					

### Performance Appraisal Practices.

Please put ( ) mark against each question that indicate your level of agreement for each question.

5=Strongly Agree, 4=Agree, 3=Neutral, 2= Disagree, 1=Strongly Disagree

SN.	Performance Appraisal Practices	Rating scale				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
1.	Performance appraisal mechanism in EIC is clear.					
2.	Performance appraisal takes place at least once a year in the corporation.					
3.	Result of performance appraisal in EIC is communicated to employees.					
4.	The process of performance appraisal in EIC is done in a fair manner.					
5	Performance appraisal helps employees to promote and develop their carrier.					
6.	Human resource management decisions for promotion, termination, training and layoff is purely based on Performance appraisal.					
7	The result on Performance appraisal uses to reward good Performer employees in a better way than other fewer performer employees.					
8	The appraisal data are used by the HR department for other development decisions like job rotation, job enrichment, etc.					

### Organizational Commitment Practices

Please put ( ) mark against each question that indicate your level of agreement for each question.

5=Strongly Agree, 4=Agree, 3=Neutral, 2= Disagree, 1=Strongly Disagree.



SN	Organizational commitment	Rating scale				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
1.	I am proud to tell others that I am part of EIC.					
2.	I am glad to choose to work for EIC					
3.	I understand how I contribute to EIC's goals.					
4.	I really care about the fate of EIC					

### Organizational Performance Measure

Please indicate the extent to which you agree with the following statements by putting in the space

provided. 5=Strongly Agree 4=Agree 3 =Neutral 2= Disagree 1=Strongly Disagree

SN	Organization performance	SD	D	N	AG	SD
		1	2	3	4	5
1.	EIC provide quality service to its customers					
2.	EIC has the ability to attract new customer					
3.	The number of customers in EIC has been increasing over the years.					
4.	The corporation is able to achieve stated goals.					
5.	The reputation and brand image of the corporation has Improved.					
6.	The corporation product and service quality has improved over the year.					
7.	Each department understands the role it plays in achieving Organizational goals.					
8	The number of customer complaints with in the last period has reduced					
9	Customers are satisfied with the service provided.					
10.	EIC is a reliable partner					







