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St. Mary's University, Ethiopia

St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDY

**THE EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON
EMPLOYEE PERFORMANCE: A CASE STUDY OF ETHIOPIAN SHIPPING AND
LOGISTICS SERVICES ENTERPRISE(ESLSE)**

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Abstract

This study investigates the effect of three Human Resource Management (HRM) practices—recruitment, training, and compensation systems—on employee performance at the Ethiopian Shipping and Logistics Services Enterprise (ESLSE) in Addis Ababa. Using a quantitative explanatory research design, data from 159 valid questionnaires (33 managerial, 126 non-managerial) were analyzed with SPSS version 26, employing Pearson correlation and multiple linear regression. Results confirmed significant positive correlations between the HRM practices and employee performance, with high reliability (Cronbach's $\alpha > 0.83$). Recruitment showed the strongest effect, followed by training and compensation. The study recommends structured recruitment, continuous training, equitable compensation, and positioning HRM as a strategic function to enhance employee performance at ESLSE.

Keywords: Human Resource Management, Employee Performance, Recruitment, Training, Compensation Systems, Ethiopian Shipping and Logistics Services Enterprise, Public Sector, SPSS, Multiple Linear Regression

1. INTRODUCTION

1.1 What is the Study About?

This research examines how key Human Resource Management (HRM) practices—specifically recruitment, training, and compensation systems—influence employee performance at the Ethiopian Shipping and Logistics Services Enterprise (ESLSE), a critical state-owned logistics organization in Addis Ababa, Ethiopia. Employee performance, measured by productivity, efficiency, and effectiveness, is pivotal to organizational success, particularly in service-intensive sectors like logistics (Armstrong & Taylor, 2020). The study focuses on understanding how these HRM practices shape employee outcomes in a public sector context where resource constraints and bureaucratic challenges are prevalent.

1.2 Why is it Worth Reading?

The strategic importance of HRM in enhancing employee performance is well-documented globally, yet there is a lack of empirical research focusing on state-owned enterprises in developing economies like Ethiopia (Tefera & Mutambara, 2021). ESLSE, as a cornerstone of Ethiopia's import-export and logistics operations, relies heavily on its workforce. Inconsistent HRM practices, such as fragmented recruitment, limited training, and inadequate compensation, contribute to low morale and inefficiencies (Ethiopian Ministry of Labor and Skills, 2023). This study fills this gap by providing evidence-based insights into how HRM practices affect employee performance, offering practical recommendations for ESLSE and similar organizations to improve workforce productivity and organizational effectiveness.

1.3 How is the Argument Built?

The study adopts a quantitative explanatory research design, collecting data via structured questionnaires from 159 employees and managers at ESLSE. Statistical tools, including Pearson correlation and multiple linear regression, were used to analyze relationships between HRM practices and employee performance. The findings are grounded in theoretical frameworks such as High-Performance Work Systems (HPWS) and Human Capital Theory (HCT), which emphasize the strategic alignment of HRM practices to enhance organizational outcomes (Kehoe

& Wright, 2018; Albrecht et al., 2018). The results are discussed in relation to existing literature, with recommendations tailored to ESLSE's context.

2. MATERIALS AND METHODS

2.1 Research Design

The study employed an explanatory quantitative research design to investigate the causal relationships between three HRM practices (recruitment, training, and compensation systems) and employee performance at ESLSE. This design facilitates statistical analysis to quantify the strength and significance of these relationships, enabling evidence-based conclusions (Creswell, 2014).

2.2 Theoretical and Conceptual Framework

The research is underpinned by two key frameworks:

- **High-Performance Work Systems (HPWS):** HPWS posits that integrated HRM practices, such as structured recruitment, continuous training, and performance-based compensation, enhance employee commitment and organizational performance (Kehoe & Wright, 2018).
- **Human Capital Theory (HCT):** HCT emphasizes that investments in employee skills and development, such as training, yield measurable improvements in performance and organizational competitiveness (Albrecht et al., 2018).

The conceptual framework (Figure 1) illustrates the relationship between the independent variables (recruitment, training, compensation systems) and the dependent variable (employee performance), adapted from Kehoe and Wright (2018) and Albrecht et al. (2018).

2.3 Participants

The target population comprised 300 employees and managers at ESLSE's head office in Addis Ababa, representing various departments (logistics, operations, finance, HR, and others). A

stratified random sampling technique was used to ensure representation across departments. Using Yamane's (1967) formula, a sample size of 171 respondents was determined, with 159 valid responses collected (33 managerial, 126 non-managerial).

2.4 Data Collection Tools

Primary data were collected using a structured questionnaire adapted from Armstrong (2020), Noe et al. (2020), and Milkovich et al. (2016). The questionnaire included Likert-scale questions (1 = Strongly Disagree, 5 = Strongly Agree) assessing perceptions of recruitment, training, compensation systems, and employee performance. Secondary data were sourced from ESLSE's HR policy manuals, training records, and academic literature to provide contextual background.

2.5 Procedures

The questionnaire was distributed online to 171 employees and managers, with responses collected over a three-week period in 2025. A pilot test with 25 employees ensured clarity and relevance of questions. Content validity was verified through consultations with HRM experts, and reliability was confirmed using Cronbach's alpha (all constructs > 0.83).

2.6 Data Analysis

Data were analyzed using SPSS version 26. Descriptive statistics summarized respondent demographics and perceptions. Pearson correlation assessed relationships between HRM practices and employee performance, while multiple linear regression evaluated the predictive power of each practice. Assumptions of normality, homoscedasticity, and independence of residuals were tested to ensure model validity.

2.7 Ethical Considerations

Participants provided informed consent, and anonymity was ensured to protect respondent privacy. Data were used solely for research purposes, with no identifiable information disclosed. Approval was obtained from St. Mary's University's ethics committee.

3. RESULTS AND DISCUSSION

3.1 Descriptive Findings

The sample included 159 respondents (39.6% male, 60.4% female), with most aged 26–35 (49.1%) or 36–45 (46.5%). The majority held a BA/BSc degree (56.0%), and 79.2% were non-managerial employees. Departmental distribution showed logistics (34.0%) and operations (26.4%) as the largest groups. Years of service varied, with 37.7% having 4–6 years of experience.

Descriptive statistics (Table 1) revealed moderate agreement with the effectiveness of HRM practices: recruitment ($M = 3.60$, $SD = 0.28$), training ($M = 3.75$, $SD = 0.14$), and compensation systems ($M = 3.43$, $SD = 0.34$). Employee performance scored highest ($M = 3.76$, $SD = 0.21$), indicating generally positive perceptions of performance outcomes.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Recruitment	159	3.17	4.00	3.6006	.27940
training	159	3.40	4.00	3.7535	.13538
Performance Appraisal	159	3.40	4.00	3.6025	.26907
Compensation Systems	159	3.00	4.00	3.4314	.34091
Employee Performance	159	3.40	4.00	3.7572	.20545

Table 1: Descriptive Statistics

Source: Analysis of survey data, 2025, using SPSS 26

3.2 Correlation Analysis

Pearson correlation analysis (Table 2) showed strong positive correlations between HRM practices and employee performance. Recruitment had the strongest correlation with employee

performance ($r = .784$, $p < .001$), followed by training ($r = .716$, $p < .001$) and compensation systems ($r = .665$, $p < .001$). Inter-correlations among HRM practices were moderate to strong, indicating complementary effects.

Correlations					
		Recruitment	training	Compensation Systems	EP
Recruitment	Pearson Correlation	1	.648	.709	.784
	Sig. (2-tailed)		.000	.000	.000
	N	159	159	159	159
training	Pearson Correlation	.648	1	.536	.716
	Sig. (2-tailed)	.000		.000	.000
	N	159	159	159	159
Compensation Systems	Pearson Correlation	.709	.536	1	.665
	Sig. (2-tailed)	.000	.000		.000
	N	159	159	159	159
Employee Performance	Pearson Correlation	.784	.716	.665	1
	Sig. (2-tailed)	.000	.000	.000	
	N	159	159	159	159

Table 2: Pearson Correlation Matrix

Source: Analysis of survey data, 2025, using SPSS 26

3.3 Regression Analysis

Multiple linear regression (Table 3) confirmed that the three HRM practices explained 70.3% of the variance in employee performance ($R^2 = .703$, Adjusted $R^2 = .697$, $F(3, 155) = 122.415$, $p < .001$). Recruitment had the strongest effect ($\beta = .446$, $p < .001$), followed by training ($\beta = .337$, $p < .001$) and compensation systems ($\beta = .169$, $p = .008$). Variance Inflation Factors ($VIF < 2.524$) indicated no multicollinearity issues. The Durbin-Watson statistic (2.468) confirmed residual independence, and normality and homoscedasticity assumptions were met.

Coefficients								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.463	.243		1.907	.058		
	Recruitment	.308	.048	.446	6.415	.000	.396	2.524
	Training	.483	.083	.337	5.802	.000	.568	1.761
	Compensation	.107	.040	.169	2.690	.008	.487	2.052

Table 3: Regression Coefficients

Source: Analysis of survey data, 2025, using SPSS 26

3.4 Discussion

The findings align with HPWS and HCT, confirming that structured HRM practices enhance employee performance (Kehoe & Wright, 2018; Albrecht et al., 2018). Recruitment's strong effect ($\beta = .446$) underscores the importance of merit-based hiring, supporting Huselid's (1995) findings that rigorous selection processes improve productivity by 18%. Training's significant impact ($\beta = .337$) reflects its role in building competencies, consistent with Mengesha's (2020) study on Ethiopian logistics firms. Compensation's smaller but significant effect ($\beta = .169$) highlights the need for fair reward systems, particularly in resource-constrained public enterprises (Tefera & Mutambara, 2021).

In Ethiopia's public sector, where HRM practices are often inconsistent, these results emphasize the need for strategic alignment. ESLSE's moderate ratings for recruitment ($M = 3.60$) and compensation ($M = 3.43$) suggest room for improvement, such as adopting psychometric assessments and performance-linked rewards. The strong correlation between HRM practices and performance ($r > .665$) supports Kassa and Raju's (2019) findings that integrated HR strategies enhance service delivery in Ethiopian public institutions.

4. CONCLUSION

4.1 Summary of Key Findings

This study confirmed that recruitment, training, and compensation systems significantly and positively influence employee performance at ESLSE. Recruitment emerged as the strongest predictor, followed by training and compensation. The model explained 70.3% of the variance in employee performance, with high reliability (Cronbach's $\alpha > 0.83$) and no violations of regression assumptions. These findings highlight the critical role of strategic HRM in enhancing workforce productivity in public enterprises.

4.2 Major Recommendations

1. Enhance Recruitment Practices: ESLSE should adopt merit-based, transparent recruitment processes, incorporating psychometric assessments and structured interviews to ensure job-person fit.
2. Strengthen Training Programs: Implement continuous, job-relevant training aligned with organizational goals, including soft skills development to foster adaptability and innovation.
3. Develop Equitable Compensation Systems: Introduce performance-linked rewards and competitive benefits to boost motivation and retention, addressing public sector constraints creatively.
4. Position HRM Strategically: Integrate HRM into executive planning to align workforce capabilities with ESLSE's long-term objectives, enhancing service efficiency.

4.3 Implications for Future Research

The study offers a foundation for exploring HRM in developing economies. Future research could:

- Employ longitudinal designs to assess long-term effects of HRM practices.
- Investigate mediators (e.g., employee motivation) and moderators (e.g., leadership style).
- Compare HRM effectiveness across different sectors or regions in Ethiopia.

- Adapt Western HRM theories to African contexts, addressing cultural and institutional nuances.

4.4 Unanswered Questions

While the study establishes direct effects, it does not explore how organizational culture or leadership styles mediate HRM's effects on Employee performance. Additionally, the cross-sectional design limits causal inferences, warranting further longitudinal studies.

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Appendix 1: Questionnaire

Dear Respondent,

I am conducting research for my thesis titled: **“The Effect of Human Resource Management Practices on Employee Performance: A Case Study of Ethiopian Shipping and Logistics Services Enterprise in Addis Ababa.”**

The objective of this study is to examine how key HRM practices — including **Recruitment, training, compensation Systems, and performance appraisal** — effect employee performance within the Ethiopian Shipping and Logistics Services Enterprise.

To achieve this, I have prepared a questionnaire aimed at collecting insights from employees and managers within the organization. Your participation is vital in helping to identify how HRM practices influence performance outcomes and in providing evidence-based recommendations for HR professionals, organizational leaders, and policymakers.

Your honest and thoughtful responses are highly valued and will be kept strictly confidential. I sincerely appreciate your time and contribution to this research.

Thank you for your participation.

The Effect of HRM Practices on Employee Performance

Section A: General Information

1. Gender:

☐ Male ☐ Female

2. Age Group:

☐ 18–25 ☐ 26–35 ☐ 36–45 ☐ 46 and above

3. Educational Background:

☐ Diploma ☐ Bachelor’s Degree ☐ Master’s Degree and above

4. Department/Unit:

☐ Managerial ☐ Non-Managerial

5. Years of Service in the Organization:

☐ Less than 1 year ☐ 1–3 years ☐ 4–6 years ☐ More than 6 years

Instruction: Please indicate your level of agreement with the following statements based on your experience at Ethiopian Shipping and Logistics Services Enterprise by circling the appropriate number.

Where:

1 = Strongly Disagree (SDA)

2 = Disagree (DA)

3 = Neutral (N)

4 = Agree (A)

5 = Strongly Agree (SA)

S.No	Statements	SDA	DA	N	A	SA
V-1	Recruitment					
1.	The recruitment process is transparent and based on merit.	1	2	3	4	5
2.	Selection criteria match the knowledge, skills, and experience required for the job.	1	2	3	4	5
3.	The organization uses fair and unbiased selection methods (e.g., interviews, tests).	1	2	3	4	5
4.	Vacant positions are openly advertised to all eligible candidates.	1	2	3	4	5
5.	Internal employees are encouraged to apply for promotional opportunities.	1	2	3	4	5
V-2	training					
1.	I have participated in formal training programs related to my job in the past year.	1	2	3	4	5

2.	Training provided is relevant and practical for my daily job tasks.	1	2	3	4	5
3.	There are clear policies and procedures for employee development.	1	2	3	4	5
4.	I have opportunities to improve my skills through learning and development programs.	1	2	3	4	5
5.	The organization evaluates training outcomes and makes improvements when needed.	1	2	3	4	5
V-3	Performance Appraisal					
1.	My performance is evaluated regularly (e.g., annually, semi-annually).	1	2	3	4	5
2.	Performance appraisal criteria are clearly communicated to employees.	1	2	3	4	5
3.	The appraisal process is fair and unbiased.	1	2	3	4	5
4.	I receive feedback that helps me improve after each evaluation.	1	2	3	4	5
5.	Performance appraisal results are used for promotions, rewards, or further training	1	2	3	4	5
V-4	Compensation Systems	1	2	3	4	5
1.	My salary reflects the level of responsibility and effort required for my position.	1	2	3	4	5
2.	The organization offers competitive salaries compared to similar companies.	1	2	3	4	5
3.	I receive non-financial benefits (e.g., medical, leave, bonuses) that support my well-being.	1	2	3	4	5
4.	The compensation system motivates me to perform better.	1	2	3	4	5
5.	Salary Systems are reviewed and adjusted fairly over time	1	2	3	4	5
V-5	Employee Performance					

1.	HRM practices (e.g., training, fair pay) motivate me to exceed targets	1	2	3	4	5
2.	My job performance has increased due to ESLSE's HRM policies	1	2	3	4	5
3.	I consistently achieve my performance goals	1	2	3	4	5
4.	I intend to remain with ESLSE long-term.	1	2	3	4	5

Adopted from Armstrong (2020), Noe et al. (2020), Milkovich et al. (2016).