

**ST. MARY'S UNIVERSITY
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**THE EFFECT OF STRATEGIC HUMAN RESOURCE MANAGEMENT
ON
ORGANIZATIONAL PERFORMANCE: THE CASE OF ABAY
INSURANCE S.C**

BY

TIZITA ABEBE BELAY

**JULY, 2023
ADDIS ABABA, ETHIOPIA**

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MANAGEMENT ON
ORGANIZATIONAL PERFORMANCE: THE CASE OF
ABAY INSURANCE S.C**

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TIZITA ABEBE BEAY

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TIZITA ABEBE BELAY**

APROVED BY BOARD OF EXAMINERS

Dean, Graduate studies

Signature

Advisor

Signature

Internal Examiner

Signature

External Examiner

Signature

Advisor Approval Page

I, the undersigned, certify that the research entitled: *'The Roles of Strategic Human Resource Management on Organizational Performance: The Case of Abay Insurance S.C'* prepared by Tizita Abebe as part of the requirements for Master of Art in Business Administration complies with the regulation of the St. Mary's University College and meets the accepted standards with respect to originality and quality.

	Name	Signature	Date
Advisor

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ACRONYMS

HR Human Resource

SHRM Strategic Human Resource Management

SPSS Statistical Package for Social Sciences

ABSTRACT

Companies that implement good strategic human resource management practices will be able to achieve their goals in the long term and sustain their company in the relevant industry, and having good strategic human resource management will be a key competitive advantage for the company as a whole. The study was conducted to investigate the of strategic human resource management practice on organizational performance. To achieve the research objectives explanatory research design was applied. The target population for this study constituted of employees working in Abay Insurance Company the sample size drawn was 98. Pertinent data for the study were gathered through structure and unstructured questionnaires. This study also used stratified proportional sampling techniques. Lastly data analysis was done through descriptive analysis and regression analysis. For the case qualitative part narrative description method was used. The following results were summarized. The role of Strategic Human Resource Management (SHRM) is reported by the mean value (2.38) fall in the range (<3) qualitatively signifying low level. In addition, Abay Insurance Company's performance on its strategic human resource management is not at good condition. This is affirmed by the mean value of 2.28 fall in the range (<3) qualitatively signifying low level. Based on the finding the study concluded that the role of Strategic Human Resource Management (SHRM) is scant in Abay Insurance Company. In addition, nowadays On the other hand, this study has shown that SHRM is a key factor to improve Organization performance. The results provide support to the model of SHRM, it shows that Training and development, Performance Management System (PMS), Placement system can positively affect the Organization performance. In this sense, it is necessary for the company to organize training packages for their employees would be more productive. Further, for the company it is better to reconsider the existing Performance Management System (PMS). Moreover, it is necessary for company to reconsider its placement system.

Key words: Strategic Human Resource Management (SHRM, Performance Management System (PMS), Training and development, Performance Management System (PMS), Placement system

CHAPTER ONE

INTRODUCTION

This chapter deals with the background ground of the study, statements of the problem, questions, objectives, scope and significance of the research.

1.1. Background of the study

Strategic Human Resource Management is a human resource management principle that ensures that employees in an organization are with an aim of achieving the organizational goals and objectives in the long run. This day's organization, particularly insurance company is situated in the business world marked by the increasing internationalization of markets. And the company should have a broad and long-term view of where the business is going, and managing it in ways which ensure that this strategic thrust is maintained.

This poses us to the term strategy. Strategy is the approach selected to achieve specified goals in the future. It is the determination of the long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out those goals (Gashi, 2013).

According to Wright, Dunford, & Snell (2001) there is a growing consensus on strategy and its role on the firm in respect to creating and sustaining superior performance. On the other hand, the importance of human resource management to effective implementation of strategy has been also recognized for some time (Buller & McEvoy, 2012).

So, this also leads us toward the term 'Strategic Human Resource Management' (SHRM). SHRM is the pattern of planned human resource (HR) deployments and activities intended to enable an organization to achieve its goals (Mohammed, 2019).

Particularly this day in a competing global context Human Resource (HR) practices should be linked with the strategic objectives of the organization to attain world class performance (Buller & McEvoy, 2012).

SHRM could serve the organizations in acquiring the competitive advantages (Gashi, 2013). According to Paul & Anantharaman (2013) SHRM concerns the roles performed by human resource management systems in firm performance, specifically concentrating

on the use of human resources as a way of achieving competitive advantage. Armstrong (2004) also recalled us the fundamental aim of strategic human resources management is to generate strategic capability by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve sustained competitive advantage (Gashi, 2013). In addition, the integration between HRM and business strategies provides a broader range of solutions for improving organization performance (Darwish, 2012).

At the same time it is inevitable to do ongoing analysis on SHRM to look in to the way strategic human resource added strategic value and contributes also to organizational performance. So, this study was aimed to investigate the role of strategic human resource management practice on organizational performance by focusing on Abay Insurance Company (AIC).

Over the past five years in which the country hosted political, economic and social turmoil along the reform process; it was a challenge for Abay Insurance Company (AIC) to maintain its performance (AIC, 2021). On the other hand, retention was also a specific challenge in AIC with varied studies demonstrating that the high turnover of qualified employees in the organization has increasingly negative impact on recruitment, engagement and effectiveness due to employee loyalty keeps swaying from one insurance company to another (AIC, 2021).

This bleak scenario was presented at AIC 2021/2022 annual report. This implies that there is a need of linking Human Resource Management practice with the company's strategy. research intervention about the nexus of SHRM and organizational performance. So, the company needs to be informed by the research findings as the result of measuring the role of SHRMP in improving organization performance.

Abay Insurance S.C. was established in July 2010 in accordance with the licensing and supervision of insurance business proclamation No. 86/1994. The prevailing paid up capital of the company is Birr 100 million. Currently, the company is providing its service under 20 branch offices that operate in different regions of the country (AIC, 2023).

1.2. Statements of the problem

The concept of organizational performance has gained increasing attention in recent decades, is pervasive in almost all spheres of human activity (Boru & Tao, 2020). On the other hand, in today's world of Globalization, a premium is now placed on the skills, knowledge and aptitudes of an organization's workforce as a source of inimitable assets. Moreover, in today's knowledge-economy, organizational performance depends tremendously on the performance of human resource management.

So, Human Resource (HR) practices should be linked with the strategic objectives of the organization to attain world class performance. The relationship between Strategic Human Resource Management (SHRM) and organizational performance has been a heavily deliberated issue over the last decade. Even, to the few researchers for the past one decade the nexus of SHRM and organization performance was a source of inspiration for the research. Their empirical analysis was based on theoretical propositions which state that motivated employees, through good HR practices, remain in their positions longer and contribute positively to the overall performance of organizations (Darwish, 2012).

For instance, Darwish's desertation work contributed to the understanding of the debate surrounding strategic human resource management (SHRM) and organizational performance. Juma & Wafula (2015) also assessed the linkage between strategic human resource management and overall performance within an organization using descriptive statistics.

Although Juma & Wafula's study reported interesting results, the findings seem somehow spurious and illusory, because reported results were suffered from, at least with acute shortcomings: parsimony, rationality problems and external validity threats.

So, it is time to emphasize building upon the methodology and findings of some previous studies by conducting a statistical test of significance, which adds statistical validity and flavor to previous findings. Therefore, considering the noted gap, this study was interested to investigate the role of strategic human resource management practice on organizational performance.

1.3. Research questions

1. What is the effect of SHRM in Abay insurance Company?
2. What is the level of organizational performance in the case of Abay insurance Company?
3. What is the relationship between SHRM and organizational performance in the case of Abay insurance Company?
4. What is the effect of SHRM on organizational performance?

1.4. Objective of the study

1.4.1. General objective

The main objective of the study was to investigate the role of strategic human resource management practice on organizational performance

1.4.2. Specific objective

1. To investigate the effect of SHRM in Abay insurance Company?
2. To assess the level of organizational performance in Abay insurance Company?
3. To investigate the extent SHRM correlate with organizational performance?
4. To assess the effect of SHRM on organizational performance?

1.5. Hypothesis

A hypothesis is a logical supposition, reasonable guess, an educated conjecture (Creswell, 2013). The research hypotheses are tentative propositions identified to guide the investigation of the problem/sub problems. Creswell (2013) further opined that never really prove the hypotheses. So, the null hypothesis is formed that takes there will no differences between groups, no consistent relationships between variables or no patterns in the data. So far there are theoretical underpinnings to guide hypotheses concerning the nexus of SHRM and organization performance. Empirical studies already symbolized it as:

H₁: There is no significant relationship between training and development and organizational performance

H₂: There is no significant relationship between compensation system and r organizational performance

H₃: There is no significant relationship between career & succession planning system and organizational performance

H₄: There is no significant relationship between placement system and organizational performance

H₅: There is no significant relationship between Performance Management System (PMS) and organizational performance

H₆: There is no significant relationship between employee participation and organizational performance

1.6. Significance of the study

It is believed that this study will contribute to the body of existing knowledge and as well make up for the paucity of a scholarly paper on organization performance Viz. SHRM. The quest for research-based intervention was high on the priority list for the insurance industry to improve organization performance using SHRM. So, this study is important to bridge this gap for instance the AIC will be well informed about the relationship between SHRM and organization performance. In addition, the finding of this study will have the potential to provide important insight for the practitioners in insurance industry with regards to making policies and taking the appropriate measures towards designing strategies for the effective application of SHRM.

1.7. Scope of the study

The nexus of SHRM and organization performance is a broad concept, which consists of numerous interactions but the scope of this study is restricted to the particular topical and spatial areas. The topical approach of the study was limited to linking training and development, compensation, career & succession planning, placement, Performance Management System (PMS), and employee participation practices with the company's strategy and in turn associated this with the company's performance.

Having the objective of to investigate the role of strategic human resource management practice on organizational performance; the study was conducted in Addis Ababa from February, 2023 to June, 2023. This study applied explanatory research design. The purpose of adapting explanatory research design was to analyze pertinent data collected from the employees and to measure the role of strategic human resource management practice in improving organizational performance.

1.8. Limitation of the study

The central theme of this study was to properly analyze the nexus of SHRM and organization performance. From the very beginning apprehending all dimensions of SHRM is a tricky issue. For this inquiry, the investigation concentrates on a methodology for representing, estimating, and testing a theoretical network of (mostly) linear relations between training and development, compensation system, career & succession planning system, placement system, Performance Management System (PMS), employee participation and organizational performance . In this thesis there was not a comprehensive statistical approach to testing hypotheses about relations among observed and latent variables. This might limit the representativeness of the study while intending to use it; which makes the findings and the generated conclusion specifically more relevant to only the study context.

1.9. Definition of terms

Strategic Human Resource Management (SHRM): According to this thesis **SHRM** is linking human resource management practice with the strategic objectives of the organization to attain world class performance.

Career & succession planning system: linking career & succession planning practices with the company strategy in order to motivate employees to work effectively and efficiently (Callaghan, 2018).

Employee participation: Integrate employee participation with the company strategy in order to empower employees for they can make their decisions and take actions relevant to their jobs (Callaghan, 2018)

Compensation system: Linking compensation practices with the company strategy in order to motivate employees by using different approaches (Callaghan, 2018).

Training and development: Integrate training and development practices with the company strategy in order to maintain or improve the employees' performance in the workplace

Placement system: Linking placement practices with the company strategy in order to select the right individuals for the right jobs

Performance Management System (PMS): Integrate Performance Management System (PMS) with the company strategy in order to do systematic evaluation of the strengths and weakness of an employee linked to his/her job (Bheemanathini , et al., 2019)

Organizational Performance: According to this thesis it is the overall performance of an organizations by considering four dimensions i.e.; competitiveness, customers acquisition; growth, profitability, and innovativeness (CONȚU, 2020).

1.10. Organization of thesis

This thesis is organized in to three chapters. Chapter one is dedicated to the introduction. Under this chapter, the background of the study, statement of the problem, the objective of the study, the scope of the study & limitation of the study are discussed. Chapter two reviews related literature. This chapter embarks on reviewing theoretical and empirical literatures. Under theoretical review the study reviewed on issue such as organization performance, Strategic Human Resource Management (SHRM), strategize human resource management practice to improve organization performance, theorizing the nexus of SHRM and organizational performance And the study developed theoretical framework. In addition, the study has also reviewed empirical literatures. Lastly the study developed conceptual framework. Chapter three deals with research methodology including research approach and design, sample size and sampling techniques, research subjects (respondents), data collection instruments and method of data analyses. Chapter four of the study devotes to the presentation and discussion of data. Lastly chapter five presents summary of findings, conclusion and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter embarks on reviewing theoretical and empirical literatures. Under theoretical review the study reviewed on issue such as organization performance, Strategic Human Resource Management (SHRM), strategize human resource management practice to improve Organizational performance, theorizing the nexus of SHRM and organizational performance and the study developed theoretical framework. In addition, the study has also reviewed empirical literatures. Lastly the study developed conceptual framework

2.1. Theoretical review

2.1.1. Conceptualization of key terms

2.1.1.1. Organization performance

Robbins (2005) defined organization as a deliberately synchronized social unit, made up of a group of people, who work together on common goals on a relatively continuous basis (Meier & Toole, 2010). Examples, schools, hospitals, churches, manufacturing, and service firms, retail stores, police departments, military units, volunteer organizations, start-ups, and local, provincial, and federal government agencies are organizations (CONȚU, 2020).

Scholars defined origination performance from various approaches perspectives. For instance from the goal achievement perspective; Griffin (2003) defined organizational performance as the ability of an organization to fulfill its shareholders' desires and survive in the market (Boru & Tao, 2020).

From system resource approach aspect; Lorsch (1970) defined organization performance as the measure of efficient operation between organization and its environment and its staffs (Meier & Toole, 2010). On the other hand, from social system approach perspective; Georgopoulos (1957) defined organization performance to the extent to which the organization, as a social system with specific resources, can fulfill its goals without being obliged to incapacitate its resources and means or putting excessive strain on its employees (CONȚU, 2020).

Further, from Competing Values Approach perspective; Cohen & Bradford (2005) defined organization performance to the extent to which the organization achieves a high degree of collaboration and commitment among stakeholders through workgroups and management (Madhani, 2010).

In treatise of Maria; (2009) Mullins, L.J. (1996) opined that organizational performance involves efficiency and effectiveness. In his opinion, organizations need to be efficient in doing the right things, in the optimum use of their resources and in the ratio of outputs to inputs. But organizations must also be effective in doing the right things and in their outputs related to some specific purpose, objective or task.

2.1.1.2. Strategic Human Resource Management (SHRM)

Porter (1985) conceptualizes strategy at three levels i.e.; at the corporate, business, organization level (Gashi, 2013). At the corporate level, strategy is concerned with the business or range of businesses the corporation wishes to compete in at the business level, strategy is concerned with the question of how to compete for the hearts and minds of the customer. At the organization level the strategy concerned with question of how to enhance operational capability of the organization (Darwish, 2012).

On the other hand, the importance of human resource management to effective implementation of strategy has been recognized for some time. Porter (1985) explicitly acknowledged that human resource management was an essential support activity that, when integrated with other value chain activities, is necessary for a firm to achieve and sustain competitive advantage (Buller & McEvoy, 2012).

According to Wright and McMahan (1992) SHRM is the pattern of planned human resource (HR) deployments and activities intended to enable an organization to achieve its goals (Mohammed, 2019) . Boxall (1996) also recounted that Strategic HRM is the interface between HRM and strategic management (Juma & Wafula, 2015).

The fundamental aim of strategic human resources management is to generate strategic capability by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve sustained competitive advantage (Gashi, 2013). Porter (1985) also explicitly acknowledged that human resource management was an essential support activity that, when integrated with other value chain activities, is necessary for a firm to achieve and sustain competitive advantage (Gashi, 2013).

In the descriptive and prescriptive management texts, strategic management appears as a cycle in which several activities follow and feed upon one another. The strategic management process is typically broken down into five steps i.e.; mission and goals, environmental analysis, strategic formulation, strategy implementation, and strategy evaluation. Mission describes the organization's values and aspirations.

Further, according to Daft (2001) goals are the desired ends sought through the actual operating procedures of the organization and typically describe short-term measurable outcomes. Next to mission and goal is environmental analysis. Environmental analysis looks at the internal organizational strengths and weaknesses and the external environment for opportunities and threats (Darwish, 2012).

Next to environmental analysis is strategic formulation. Strategic formulation involves senior managers evaluating the interaction between strategic factors and making strategic choices that guide managers to meet the organization's goals (Gashi, 2013). As of the fourth step strategy implementation is considered. Strategy implementation is an area of activity that focuses on the techniques used by managers to implement their strategies. At the end, strategy evaluation would follow. Strategy evaluation is an activity that determines to what extent the actual change and performance match the desired change and performance (Maria; , 2009).

2.1.2. Strategize human resource management practice to improve organizational performance

2.1.2.1. Integrate HRM practice with corporate strategies

This day business organizations need to be found at the strategic decision making position to improve organizational performance. This would provide greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy (Mohammed, 2019). According to Teo (2002) to achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful (Callaghan, 2018).

In this regard Cunningham and Deborah (1995) already suggested that documented HRM strategy can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such as a tight labor market. It also helps the organization to develop an HRM vision and objectives and to

monitor performance (Mohammed, 2019). Regarding to managements some literature suggested that the responsibility of routine execution and administration of HR practices should be delegated to line managers as they have direct and frequent contact with employees in order to make managers more available for participation in the strategic decision making process (Buller & McEvoy, 2012).

2.1.2.2. Placement system

To enhance organizational performance organization should strategize the placement system in a way it can select the right individuals for the right jobs for the new hires carry out their work more smoothly and experience fewer performance problems (Meier & Toole, 2010). During recruiting and selection process it is better to ask the candidate what he/she knows about the role/the job in question and having them provide work samples. Successful candidates feel good about having passed the test, and see your company as careful and capable for having selected them. According to Ibid (2006) a positive initial impression of an employer encourages growth of long term commitment (Mohammed, 2019) .

2.1.2.3. Compensation System

To improve organizational performance, the organization should have a room in its strategic choices to reward employees. It can motivate employees in several ways. Many scholars aired that the impact of incentive based compensation on the performance of the organization (Callaghan, 2018).

2.1.2.4. Training and development

To enhance organizational performance; the organization should strategize the training and development. Training and development consists of three main activities such as training individuals, educating internal customers and lastly their development (Mohammed, 2019). Training can either on the training and development pertaining to regular work task which given by superior or the vocational training which given off the job. Training and development is a planned process which let employee expose to new knowledge and acquire new skills and technologies in order to maintain or improve the performance in the workplace (Callaghan, 2018).

Further, the organization needs to have a clear strategic Human Resource Development (HRD) policy. According to Harrison (2000), strategic HRD is development that arises

from a clear vision about people's abilities and potential and operates within the overall strategic framework of the businesses (Bheemanathini , et al., 2019).

Strategic HRD takes a broad and long-term view about how HRD policies and practices can support the achievement of business strategies. According to Armstrong (2008) it is business-led and the learning and development strategies that are established as part of the overall strategic HRD approach flow from business strategies and have a positive role in helping to ensure that the business attains its goals (Mohammed, 2019).

2.1.2.5. Career & succession planning

For the organization improvement it is inevitable to incorporate career & succession planning in the strategic choice of the organizations (Callaghan, 2018). According to Leibowitz et al. (1986) career planning is a process of developing human resources to increase organizational performance (Gashi, 2013). Career planning serves as a tool to motivate employees to work effectively and efficiently in order to achieve the goals of the organization (Callaghan, 2018).

2.1.2.6. Employee participation

To better organizational performance the organization should have a room in its strategic choices to enhance employees' participation. Employee participation is creating an environment in which employees are empowered to make their decisions and take actions relevant to their jobs. According to Mullins and Peacock (1991) employee involvement increase job satisfaction, motivation and employees' commitment as employees feel themselves more involved in the success of the organizational goals. (Callaghan, 2018).

2.1.2.6. Performance Management System (PMS)

Managing human resources includes keeping track of how well employees are performing relative to objectives such as job descriptions and goals for a particular position. The process of ensuring that employees' activities and outputs match the organization's goals called performance management. The activities of performance management include specifying the tasks and outcomes of a job that contribute to the organization's success (Darwish, 2012).

2.1.3. Theorizing the nexus of SHRM and organizational performance

In this study the following the most influential theoretical approaches such as the best-fit school of thought (contingency), the best-practice school of thought (universalism) and

the resource based view on the firm are reviewed to better understand the nexus of SHRM and organizational performance.

There are three theoretical approaches to look in to the nexus of SHRM and organizational performance. These are the best-fit school of thought (contingency), the best-practice school of thought (universalism) and the resource based view on the firm (Madhani, 2010).

According to Beardwell & Thompson (2014).the best-fit school of thought (contingency) concerned with the vertical integration between an organizations overall strategy and the HRM adopted policies (Darwish, 2012). Beardwell & Thompson (2014) further commented on the vertical integration between business objective and organizational performance is basic to numerous models of SHRM (Madhani, 2010). As a result, there have been developed the SHRM models based on the competitive advantage principles, first applied in strategic management. The attempt of reframing SHRM under the competitive advantage models took as starting point Porter's key directions of achieving competitive advantage: cost leadership, differentiation through quality and service and focus on niche markets (Maria; , 2009).

Next to the best-fit school of thought (contingency); literatures also have another productive research direction in SHRM. This one is defined by the best-practice school of thought, also called, the universalism (Darwish, 2012). The best-practice school of thought is emanated from seeking best HR practices to achieve competitive advantage, thus, financial performance. According to Beardwell & Thompson (2014) among the scholars Husselid (1995); and Delery & Doty (1996) have initiated this research trend in SHRM and since then, a lot of effort was put by other SHRM researchers to identify this important set of HR practices, designed to improve organizational performance (Madhani, 2010). According to contingency theory, managers carefully analyze the firm's task environment, taking into account the internal characteristics of the firm, and adapt their practices accordingly (Volberda, et al., 2012).

Further, literatures have another additional research direction to strategic HRM. This one is known as Resource-Based View (RBV). The RBV shows how internal resources of the

company (both physical and intellectual) can be explored in order to achieve competitive advantage (Volberda, et al., 2012).

Dicksen (1996) recalled us the RBV takes an ‘inside-out’ view or firm-specific perspective on why organizations succeed or fail in the market place (Mohammed, 2019). According to RBV, an organization can be considered as a collection of physical resources, human resources and organizational resources (Madhani, 2010). Barney, (1991) opined that resources of organizations that are valuable, rare, imperfectly imitable and imperfectly substitutable are main source of sustainable competitive advantage for sustained superior performance. So, it is necessary to strategize resources for the organization to perform well (Madhani, 2010). According to Beardwell & Thompson (2014) though incipient ideas of the RBV were introduced back in the 1950s by Penrose and later on by Wernerfelt in the 1980s, in 1991, Barney clearly established his contribution by providing a tool of analysis within the RBV (Volberda, et al., 2012).

2.2. Theoretical frame work

A theoretical framework of this thesis comprises the aforementioned issues expressed by theorists in the field into which this study plan to research, which the study draws upon to provide a theoretical coat hanger for its data analysis and interpretation of results. And the theoretical frame work is graphically presented below.

Figure 2.1: Theoretical frame work



Source: Own synthesis from literature review on Madhani (2010), and Volberda, et al (2012)

2.3. Review of empirical studies

Darwish's desertation work contributed to the understanding of the debate surrounding strategic human resource management (SHRM) and organisational performance (Darwish, 2012).

Rigorous statistical testing of the data on the population of financial firms shows that careful recruitment and selection, training, and internal career opportunities all have a positive impact in terms of reducing employee turnover. Training, in particular, is found to have a strong positive impact on actual and perceived financial performance (Darwish, 2012). Further, the results show that financial performance can be enhanced and employee turnover rate decreased by involving HR directors in the overall strategic decision-making process of the companies.

The results indicate that the alignment of HRM with organisational strategy would improve the financial performance of the companies; however, our results suggest that the devolvement of routine HR issues to line managers may not be positively related to the financial performance of the companies or negatively related to employee turnover (Darwish, 2012).

Juma & Wafula (2015) conducted the study to assess the linkage between strategic human resource management and overall performance within an organization. In order to examine such linkage, questionnaire survey were applied and data was collected from employees of Kenya Marine Contractors and analyzed (Juma & Wafula, 2015).

The research design employed in this study was descriptive survey design method. Stratified sampling technique was used to collect data in which the entire target population (workforce) were divided into different subgroups, or strata, and then randomly selecting the final subjects proportionally from the different strata (Juma & Wafula, 2015).

2.3. Conceptual framework

The conceptual framework shown in the figure below is used to indicate; role of Strategic human Resource Management Practice is the Independent Variable and Organizational Performance is the Dependent Variable.

The framework also depicts how organizational performance (Customer focus, Learning and Development, Financial Growth) integrated and influenced by roles of Strategic Human Resource Management Practice including (Strategic HRM alignment, Line Management Development, HR- Practice, Placement System, Training & Development, Performance Management System).

Figure 2.2: Conceptual framework of research (source own conceptualization)

Independent Variable

Roles of strategic HRM

- ❖ Training and development system
- ❖ Career and succession planning system
- ❖ placement system
- ❖ Compensation system

Dependent Variable

Organizational performance

- Customer focus
- Financials growth
- Learning and development

Source: Own synthesis from literature review on empirical and theoretical literatures

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter of the study discusses the methodological underpinnings through which the objective of the inquest was achieved. It incorporates the setting of the research and methods employed.

3.1. Types and approaches of research design

Research approach is the plan and the procedure for research that encompass the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Grover, 2015). According to Grover (2015) there are three basic components of a research approach- philosophical world view, research design and methods of research. Among philosophical world view this research considered positivist worldview; because the researcher needed to empirically measure the role of SHRM. Research design is a framework that serves as a plan to study the research problem. The role of a research design is to manage the collection of relevant data with minimal consumption of effort, time and money considering the research objectives. (Kothari, 2004). This study applied explanatory research design. The purpose of adapting explanatory research design was to analyze pertinent data collected from the employees and to measure the role of strategic human resource management practice in improving organizational performance.

Over the past one decade the research focus has shifted from simply describing SHRM to analyzing its role on organizational performance. So, this research developed a methodology, through theoretical research as well as making use of descriptive survey, which can be used in explaining the relationship between SHRM and Organization performance. A hypothesis is a well-versed statement that is specifically tested in the research; the research instrument for this study was designed through conducting the quantitative method because quantitative methods are more appropriate for large scale issues.

The attempt is to express the possible relationships between one or more independent variables by conducting a great number of data. According to Bryman & Bell (2013) in comparison, to relative costs with other methods, the quantitative research method is

viewed as a more proper and controllable tool to test this context (Yilma , 2020). Mainly correlation and descriptive research designs were used because we have prior knowledge about the problem situation, to analyze and explain why or how something is happening.

3.4. Research method

Research methods are the tools, instruments, practices, processes—insert whatever making metaphor you prefer—that allow you to answer questions of interest and contribute to a critical conversation, or a grouping of recognized ideas about that interest (Kothari, 2004). Among the research methods this study employed quantitative and qualitative research method. The reason behind using quantitative research method was to explore numerical and non-numerical data about the topic of the study. Among the lists of ways/tools/methods the researcher aware of; the made use of work with employees represented from Abay Insurance Company.

3.3. Population and Sampling Design

3.3.1. Population

According to Frederic (2010) target population is a universal set of the study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result (Parveen , 2015). For the purpose of this study the source population was employees of AIC found in head office and Addis Ababa branches. One hundred thirty one (131) employees were staffed in Addis Ababa branches and its head office (Tsige , 2020).

Table3.1: Target population of the study

S/N	Population categories	Number of population
1	Management staff	14
2	Non-management staff	117
Total		131

Source: AIC HR report (2023)

3.3.2. Sampling size and sampling technique

The sampling design described in detail the sample size and sampling techniques. Lastly the study arrived at sampling frame.

3.3.2.1. Sample size

According to Kreciej & Morgan (1970) the ever-increasing demand for research has created a need for an efficient method of determining the sample size needed to be representative of a given population (Park & Westat , 2001).

The sample size constitutes of Ninety-eight (98) management and non-management staffs determined based on Yamane (1973) formula as presented below.

$$\frac{N}{1 + N (e^2)}$$

N=131

e=a limited error tolerance which is assumed to be (0.05%) level of confidence. Sample size= 98

This sample size was proportionally allocated to management and non-management staffs as presented below.

Table3.2: Sample size

S/N	Population categories	Sample taken
1	Management staff	10
2	Non-management staff	88
Total		98

3.3.2.2. Sampling technique

The right selection of sampling technique is important to ensure the representativeness of the sample that can be dependable to generalize the information obtained from the sample to the whole population of the study (Kothari, 2004) .This study used stratified proportional sampling techniques. The target population was stratified in to management and non-management staffs.

3.4. Types, Sources and Methods of Data Collection

3.4.1. Data source and type

Primary and secondary data sources were used in this study. The primary data will be collected through questionnaires from employees. In addition, in-depth interview was held with three managers about the role SHRM on organization performance. On the other hand, secondary data were collected from text books, related journal, articles, magazines, periodicals, and researches. In addition, documents such as annual performance reports, strategic planning documents and HR policy and procedure documents of Abay Insurance were used.

3.4.2 Methods and Tools of Data Collection

The data collection procedure began with document and literature review. The documents related to Strategic human resource management were reviewed. After document review

was made, related literatures were reviewed. Standardized and tested questionnaire were also adopted. Then, finally questionnaires were distributed to respondents and all distributed questionnaires were collected, coded and entered in SPSS for analysis. Finally, secondary data analysis was made to assess the performance management practice of the company and the research result was enriched and developed.

3.4.3. Reliability and validity testing

For ensuring the consistency of the research findings and the accuracy with which a method measures what it is intended to measure; the study tested the reliability and validity of the measurement scales. Fraenken and Wallen (2003) reported that reliability indicates the consistency of the scores obtained between different respondents or within the responses of the same subjects' overtime (Reimann , et al., 2018). Data collected was subjected to Cronbach Alpha and the reliability coefficient returned an $\alpha = 0.870$ for the overall questionnaire of variables linked to SHRM prctice while the reliability coefficient of the sub-scale returned the following: Career & succession planning system = 0.752; Placement system = 0.718; Training and development = 0.754; Compensation system = 0.758; Employees participation = 0.804; Performance Management System (PMS) = 0.805 (Table 3.3). In addition, the reliability coefficient returned an $\alpha = 0.870$ for the overall questionnaire of variables linked to SHRM prctice while the reliability coefficient of the sub-scale returned the following: Career & succession planning system = 0.752; Placement system = 0.718; Training and development = 0.754; Compensation system = 0.758; Employees participation = 0.804; Performance Management System (PMS) = 0.805 (Table 3.3).

Table 3.3: Reliability test

Strategic Human Resource Management	
Cronbach's Alpha	N of Items
Career & succession planning system	
0.752	5
Placement system	
0.718	6
Training and development	
0.754	6
Compensation system	
0.758	6
Employees participation	

	0.804	5
Performance Management System (PMS)		
	0.805	6
Organization performance		
Cronbach's Alpha		N of Items
Customer focus		
	0.711	5
Financials growth		
	0.733	4
Learning and development		
	0.801	7

Source: own survey SPSS V25 (2023)

3.5. Methods of data analysis

Data analysis was done in three phases: data entry, analysis and correction. Data collected from the field were entered into Excel and then transferred into SPSS version 25 for demonstrating descriptive statistics such as mean value and standard deviation. Further, the data were analyzed by Pearson correlation and multiple linear regression analysis. Moreover, Qualitative part of the study was summarized and analyzed using narrative description method.

3.6. Ethical consideration

Confidentiality was considered in all levels of the study during information gathering. This section of the research presents the ethical concern to be considered by the researcher while conducting this study and handling the respondents' information (confidentiality), honesty of the information, data collection and analysis. In respect of data collection, there are a number of ethical principles to which the researcher strictly sticks and considers. For instance, to collect pertinent data from bus, the researcher took support letter from Saint Mary's University. Once the necessary data were collected, the researcher tried to handle and process the data obtained with great care by considering ethical principles.

The data were handled properly after it was received from the participants, and then were kept carefully. Finally, the researcher kept the collected data for the coming five years in safe custody. Regarding data analysis and reporting, the researcher tried to be honest, while analyzing and reporting the obtained results. A great deal of trust was placed in each researcher's integrity, and it would clearly be a major ethical issue. Therefore, the

duty to represent data honestly was extended to the analysis and reporting stage of the research. This protected the distortion of the study's conclusion and recommendation.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1. Introduction

This chapter attempted to analyze and interpret the collected data. The results are made to relate to the key considerations discussed in the literature review sections. This study investigated the role of strategic human resource management practice on organizational performance. The presentation and analysis of the data in this chapter were organized in to nine sections. Section one presented and analyzed about respondents' profile. Section two described about the role of Strategic Human Resource Management (SHRM). Section three also describes about organization performance. Section four illustrated and analyzed about correlation analysis Section five illustrated and analyzed about diagnostics of assumptions in regression. Section six illustrated and analyzed about model estimation. Section seven presented and analyzed about ANOVA test Section eight presented and analyzed about ANOVA about regression analyses and hypotheses testing. Section nine discussed about the results.

4.2. Personal profile of the respondents

Information about respondents' personal profile was collected from the surveyed participants as presented (Table 4.1).

Table 4.1: Demographic characteristics of study participants

Gender		
	Frequency	Percent
Female	63	65
Male	35	35
Age		
25 – 35 years	41	42.6
35 – 45 years	54	55.7
45 – 55 years	3	1.7

Education		
	Frequency	Percent
Bachelor degree	83	84.9
Master's degree	15	15.1
Position		
Management level	10	10.24
Non-management level	88	89.76
Work experience		
0-5 years	33	34
6-10 years	60	62
>10 years	7	4

Source: own survey SPSS V25 (2023)

As illustrated in the Table 4.1 above 83 (84.9%) of the study participants are Bachelor degree holders; while 15 (15.1%) of the respondents are Master's degree holders. All respondents (100%) has education level of bachelor degree or above. This indicates most of the respondents can well read and understand the questionnaire written in English and supposed to have at least moderate level of knowledge on the research topic.

The age matrix of the employees does not lead to a similar level but it indicates variety in age. Thus, it can imply that the randomly selected respondents were in different age ranges, which is very important to get vital information for the study. This same is true also for the case of gender and position.

As far as work experience is concerned; 98 employees involved in this study of which 60 (62%) are having 6-10years of service; while, 7 (4%) are tenured in insurance industry for >10 years. The rest 33 (34%) are with less than 5 years' work experience.

Relatively slim majority of the surveyed participants (66%) are having >6 years of service which in turn gave relatively better opportunity to elicit analyzable information and data about the research topic.

4.4. The role of Strategic Human Resource Mngement (SHRM)

4.4.1. Career & succession planning system

This study has dispatched self-administered structure questionnaires to the employees working in Abay Insurance Company for they can give responses in degree of agreement

about the role of Strategic Human Resource Management (SHRM) in terms of career & succession planning systems as presented in Table 4.2 below.

Table 4.2: Career & succession planning systems

No	Items	Arithmetic mean	Standard Deviation
Career & succession planning system			
1	There is a career development system in Abay Insurance Company (AIC)	2.48	0.863
2	There is a succession planning system for all critical positions	2.41	0.899
3	Career & Succession Planning are designed to support business goals	2.39	0.901
4	Employees in their respective job have clear career paths within the organization.	2.31	0.912
5	Employees have more than one potential position for their promotion	2.12	0.935
Overall mean for career & succession planning system		2.342	

Source: own survey SPSS V25 (2023)

As the result demonstrated on Table 4.2, the mean results, align with the variables, are listed in descending order based on the participants' responses about the role of Strategic Human Resource Management (SHRM) in terms with career & succession planning systems. Since the standard deviation value was not more than 1 indicating that the finding was normally distributed and the responses from the participants were very close to the mean value.

Primarily, the effect of Strategic Human Resource Management (SHRM) is described in terms of the presence of a career development system in Abay Insurance Company (AIC) (Table 4.2). Meanwhile, this is reported by the mean value (2.41) which falls in the range (< 3) qualitatively signifying low level (Table 4.2). Next to this, the presence of a successive planning system for all critical positions is mentioned as the role of Strategic Human Resource Management (SHRM). However, this is shown by the mean value (2.41) which falls in the range (< 3) qualitatively signifying low level. Overall the role of career & succession planning system is reported by the mean value (2.3) fall in the range (<3) qualitatively signifying low level (Table 4.2) Most participants, during the interview

session, also suggested issue that comply with the foregoing descriptive survey results. They explained the issue in part by saying that

Our company is at distant prospect in setting Strategic Human Resource Management (SHRM) by incorporating all items in respect to career & succession planning system is in return we cannot enjoy with the benefit what it has

Even some participants, during the interview session, agreed by pointing out the following issue i.e.;

Our company is so far off to say the roles of SHRM are well known

Some participants, during the interview session, also explained the issue in part by saying that

Our company's Human Resource Department has no a trend of establishing, implementing and monitoring career & succession planning systems strategically.

4.4.2. Placement system

This study also sought to find out the role of Strategic Human Resource Management (SHRM) in terms of placement system using six (6) items scored on a five point Likert scale of (5) = strongly agree (4) = agree (3) = not sure (2) = disagree (1) strongly disagree as presented below (Table 4.3).

Table 4.3: Placement system

No	Items	Arithmetic mean	Standard Deviation
Placement system			
1	Employment is done as per the business priority of Abay Insurance Company	2.58	0.711

2	The recruitment process focuses only on promising candidates.	2.49	0.729
3	Placement process matches skills of candidates with competency requirement for positions	2.47	0.741
4	Employees are selected & placed according the business requirement.	2.11	0.963
5	Employees in respective division feel that their job is worth doing	2.09	0.977
6	Employees are provided with opportunities to make full use of their skills and abilities	2.07	0.988
Overall mean for placement system		2.3	

Source: own survey SPSS V25 (2023)

In terms of carrying out employment as per the business priority; the role of placement system is scant in Abay Insurance Company. This is affirmed by the mean value of 2.58 and standard deviation of 0.711 (Table 4.3). In addition, the role of placement system is negligible in Abay Insurance Company in respect with recruitment process focusing only on promising candidates. This is shown by the mean value of 2.49 and standard deviation of 0.729 (Table 4.3). Moreover, the role of placement system is scant in Abay Insurance Company in terms of matching skills of candidates with competency requirement for positions. This is also reported by the mean value of 2.47 and standard deviation of 0.741 (Table 4.3). Overall the role of placement system is reported by the mean value (2.3) fall in the range (<3) qualitatively signifying low level (Table 4.3)

4.4.3. Training and development

This study has also assessed the role of Strategic Human Resource Management (SHRM) in terms of training and development as presented (Table 4.4).

Table 4.4: Training and development

No	Items	Arithmetic mean	Standard Deviation
Training and development			
1	Formal & related training programs are provided to employees.	2.54	0.876

2	Training and development programs are designed to support business objectives	2.31	0.888
3	Training programs are offered to new hires as per the skill they need	2.39	0.892
4	Abay Insurance Company has a clear training and developmental plan linked with business strategy	2.25	0.901
5	Trainings are offered based on training need analysis translated in to training programs	2.18	0.925
6	Feedbacks are collected after the training delivery.	2.09	0.944
Overall mean for Training and development		2.29	

Source: own survey SPSS V25 (2023)

Primarily, the role of Strategic Human Resource Management (SHRM) is described in terms of providing formal & related training programs to the employees (Table 4.4). Meanwhile, this is reported by the mean value (2.54) which falls in the range (< 3) qualitatively signifying low level (Table 4.4). Next to this, designing training and development programs is mentioned as the role of Strategic Human Resource Management (SHRM). However, this is shown by the mean value (2.31) which falls in the range (< 3) qualitatively signifying low level. Overall the role of training and development is reported by the mean value (2.29) fall in the range (<3) qualitatively signifying low level (Table 4.4).

Most participants, during the interview session, also suggested issue that concurs with the foregoing descriptive survey results.

We are not sure for our company strategized Human Resource Management (HRM) by considering all item in respect to training and development; so it is not time to say the roles of SHRM are well known

4.4.4. Compensation system

This study has dispatched self-administered structure questionnaires to the employees working in Abay Insurance Company for they can give responses in degree of agreement about the role of Strategic Human Resource Management (SHRM) in terms of compensation system as presented in Table 4.5 below.

Table 4.5: Compensation system

No	Items	Arithmetic mean	Standard Deviation
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Compensation system			
1	The benefit & compensation packages are designed to support business goals.	2.98	0.801
2	Cash bonuses are based on individual performance	2.57	0.889
3	Cash bonuses are based on company-wide productivity/ profitability	2.12	0.954
4	The compensation packages are linked to performance.	2.11	0.963
5	The compensation packages are linked to qualification of employees.	2.09	0.977
6	Individual & team performance is adequately rewarded	2.07	0.988
Overall mean for Compensation system		2.32	

Source: own survey SPSS V25 (2023)

In terms of designing the benefit & compensation packages to support business goals; the role of compensation system is near to average in Abay Insurance Company. This is affirmed by the mean value of 2.98 and standard deviation of 0.801 (Table 4.5). On the other hand, the role of placement system is scant in Abay Insurance Company in respect with considering cash bonuses based on individual performance. This is shown by the mean value of 2.57 and standard deviation of 0.889 (Table 4.5). The role of compensation system is also negligible in Abay Insurance Company in terms of considering cash bonuses based on company-wide productivity/ profitability. This is also reported by the mean value of 2.12 and standard deviation of 0.954 (Table 4.5). Overall the role of compensation system is reported by the mean value (2.32) fall in the range (<3) qualitatively signifying low level (Table 4.5).

4.4.5. Employees participation

This study also sought to find out the role of Strategic Human Resource Management (SHRM) in terms of employee participation using five (5) items scored on a five point Likert scale of (5) = strongly agree (4) = agree (3) = not sure (2) = disagree (1) strongly disagree as presented below (Table 4.6).

Table 4.6: Employee participation

No	Items	Arithmetic mean	Standard Deviation
Employee participation			
1	Employees in their job are often asked by their superiors to participate in decisions.	2.59	0.699

2	Employees are encouraged to suggest improvements in the way things are done.	2.58	0.711
3	Employees are encouraged to play a proactive role in improving the labor management relationship	2.49	0.729
4	There is a climate of trust and teamwork b/n employees & management aimed at delivering a typical service to the customer	2.47	0.741
5	Management promotes positive attitudes that result in an engaged, committed and motivated workforce	2.39	0.766
Overall mean for employee participation		2.5	

Source: own survey SPSS V25 (2023)

First of all, the role of Strategic Human Resource Management (SHRM) is described in terms of initiating employees to participate in decisions (Table 4.6). Meanwhile, this is reported by the mean value (2.59) which falls in the range (< 3) qualitatively signifying low level (Table 4.6). Next to this, ‘encouraging employees to suggest improvements’ is mentioned as the role of Strategic Human Resource Management (SHRM). However, this is also shown by the mean value (2.58) which falls in the range (< 3) qualitatively signifying low level. Overall the role of employees participation is reported by the mean value (2.5) fall in the range (<3) qualitatively signifying low level (Table 4.6).

4.4.6. Performance Management System (PMS)

This study has also assessed the role of Strategic Human Resource Management (SHRM) in terms of Performance Management System (PMS) as presented (Table 4.7).

Table 4.7: Performance Management System (PMS)

No	Items	Arithmetic mean	Standard Deviation
Performance Management System (PMS)			
1	Organizational vision, mission, goals and strategies are clearly defined	2.45	0.799
2	My division/dep’t-level goals and strategies are consistent with those at company level.	2.33	0.801
3	Job descriptions (JDs) are designed consistent with unite and organizational priorities.	2.29	0.855

4	PMS includes results, behaviors and developmental plans consistent with unit and organizational level priorities	2.21	0.866
5	PMS includes results, behaviors and developmental plans consistent with individual JDs.	2.09	0.878
6	Employees know what's expected of them –their goals and accountabilities.	2.04	0.9
7	Performance appraisals are used for professional development.	2.03	0.902
6	Principal promotes professional development at school level	2.01	0.903
Overall mean for Performance Management System (PMS)		2.18	
Overall mean for Strategic Human Resource Management (SHRM)		2.38	

Source: own survey SPSS V25 (2023)

In terms of defining Organizational vision, mission, goals; the role of Performance Management System (PMS) is scant in Abay Insurance Company. This is affirmed by the mean value of 2.45 and standard deviation of 0.799 (Table 4.7). In addition, the role of Performance Management System (PMS) is negligible in Abay Insurance Company in respect with the consistency of division/dep't-level goals with those at company level. This is shown by the mean value of 2.33 and standard deviation of 0.855 (Table 4.7). The role of compensation system is also scant in Abay Insurance Company in terms of the consistency of Job description with unite and organizational priorities. This is also reported by the mean value of 2.29 and standard deviation of 0.855 (Table 4.7). Overall the role of Performance Management System (PMS) is reported by the mean value (2.18) fall in the range (<3) qualitatively signifying low level (Table 4.7). Further, he role of Strategic Human Resource Management (SHRM) is reported by the mean value (2.38) fall in the range (<3) qualitatively signifying low level (Table 4.7).

4.5. Organization performance

This study has evaluated organization performance by giving attention to Customer focus, Learning and Development, Financial Growth as presented in Table 4.8 Below.

Table 4.8: organization performance

No	Items	Arithmetic mean	Standard Deviation
----	-------	-----------------	--------------------

Customer focus			
1	Overall, customers/clients are very satisfied with the products and services they receive from Abay Insurance Company	2.98	0.977
2	Abay Insurance Company gives more benefits to its customers than competitor	2.48	0.948
3	Abay Insurance company places a higher priority on customer/client satisfaction than on achieving short-term business goals.	2.44	0.965
4	I believe that customers recommend others to use this reliable Insurance Company	2.18	0.976
5	Abay Insurance Company is the first choice to clients	2.12	0.988
Overall mean for Customer focus		2.44	
Financial growth			
1	Abay Insurance Company is at good level with its overall accounting system	2.96	0.789
2	Abay Insurance Company provides good level of annual budgeting	2.93	0.799
3	Abay Insurance Company is at good level of financial performance	2.92	0.804
4	Abay Insurance Company is securing its financial future	2.86	0.855
Overall mean for Financial growth		2.91	

No	Items	Arithmetic mean	Standard Deviation
Learning and development			
1	Abay Insurance Company's products/services require the adoption of new and different methods and procedures	2.68	0.989
2	Abay Insurance Company applies knowledge to changing competitive conditions	2.48	0.995
3	Opportunities for technology innovation are abundant in Abay Insurance Company	2.36	0.987
4	High research and development are spending in Abay Insurance Company	2.22	0.994
5	Abay Insurance Company uses accumulated knowledge to solve new problems	2.14	0.973
6	Opportunities for technology innovation are abundant in Abay Insurance Company	2.09	0.98

7	Employees know what's expected of them –their goals and accountabilities.	2.05	0.99
Overall mean for Learning and development		2.28	
Overall mean for organization performance		2.54	

Source: own survey SPSS V25 (2023)

As per employees' opinion currently, Abay Insurance Company is near to average level in terms of satisfying customers/clients with the products and services it offers. This is reported by the mean value of 2.98 and standard deviation of 0.977 (Table 4.8). In contrary Abay Insurance Company is at distant prospect in respect with giving more benefits to its customers than competitor. This is shown by the mean value of 2.48 and standard deviation of 0.948 (Table 4.8). Overall Abay Insurance Company is so far off in being customer focus. This is affirmed by the mean value of 2.41 fall in the range (<3) qualitatively signifying low level (Table 4.8).

Concerning of financial growth; Abay Insurance Company is near to average level in terms of overall accounting system. This is reported by the mean value of 2.96 and standard deviation of 0.789 (Table 4.8). The company is also at average level in respect to annual budgeting. This is also shown by the mean value of 2.93 and standard deviation of 0.799 (Table 4.8). Overall Abay Insurance Company is near to average level in terms of financial growth. This is affirmed by the mean value of 2.91 (Table 4.8).

As far as learning and development is concerned; Abay Insurance Company is still yet for adopting new and different methods and procedures. This is shown by the mean value of 2.68 and standard deviation of 0.989 (Table 4.8). In addition, Abay Insurance Company is so far off in terms of applying knowledge to changing competitive conditions. This is presented by the mean value of 2.48 and standard deviation of 0.955 (Table 4.8). Overall Abay Insurance Company is art distant prospect in terms of learning and development. This is affirmed by the mean value of 2.28 (Table 4.8). Overall Abay Insurance Company's performance is not at good condition. This is affirmed by the mean value of 2.28 fall in the range (<3) qualitatively signifying low level (Table 4.8).

4.6. Correlation analysis

Correlation analysis shows the degree of association between variables and indicates the direction in which the variables associate - positively or negatively. The correlation coefficient is a measure of this relationship and depends on the variability of each of the

two variables. Because of covariance, correlation coefficient can take a number with + or – sign (Reimann , et al., 2018).

One of the widely used methods to calculate a correlation coefficient is the Pearson product moment correlation. According to Reimann, Filzmoser , Garrett , & Dutter (2018) this method results in a number between –1 and +1 that expresses how closely the two variables are related, ± 1 shows a perfect 1:1 relationship (positive or negative) and 0 indicates that no systematic relationship exists between the two variables. In relation to the magnitude of correlation coefficient, Cohen (1988) stated that a correlation coefficient (0.10 to 0.29) can be considered as small or weak, (0.30 to 0.49) moderate and (0.50 to 1.00) large or strong.

Table 4.9: Spearman Correlation

Correlations		
		Organization performance
Training and development	spearman Correlation	0.46**
	Sig. (1-tailed)	0
	N	98
Performance Management System (PMS)	spearman Correlation	0.41**
	Sig. (1-tailed)	0
	N	98
Placement system,	spearman Correlation	0.39**
	Sig. (1-tailed)	0
	N	98
Compensation system	spearman Correlation	0.35**
	Sig. (1-tailed)	0
	N	98
Career & succession planning systems	spearman Correlation	0.33**
	Sig. (1-tailed)	0
	N	98
Employee participation	spearman Correlation	0.31**
	Sig. (1-tailed)	0
	N	98

Survey, SPSS v25, 2023

*N.B: **- significant association (P value <0.01);*

The above table 4.9 shows correlation between dependent and independent variables. As indicated in this table, there was a statistically significant positive correlation between Positioning, Segmentation, Targeting & Overall effectiveness of marketing strategy Viz., segmentation, positing, and targeting. The correlation between Training and development Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, Employee participation and Organization performance was moderate with $r = 0.46^{**}$, $p < 0.01$; $r = 0.41^{**}$, $p < 0.01$; and $r = 0.39^{**}$, $p < 0.01$; $r = 0.35^{**}$, $p < 0.01$; and $r = 0.33^{**}$, $p < 0.01$; and $r = 0.31^{**}$, $p < 0.01$ respectively. This implies that as the effect of Training and development, Placement system, Career & succession planning systems, Compensation system, Employee participation, Performance Management System (PMS) is more positive in insurance company, Organization performance would be improved and vice-versa.

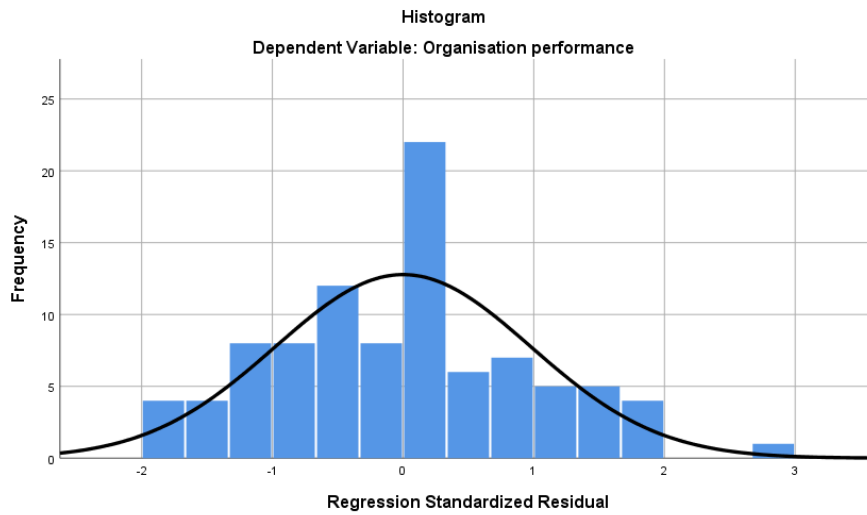
4.7. Diagnostics of assumptions in regression

Prior to conducting a regression analysis, the basic assumptions concerning the original data must be carried out. This is a compulsory precondition in explaining the relationships between dependent and explanatory variables. So, linearity test, normality test, autocorrelation and multicollinearity have been checked.

4.7.1. Normality

Normality probability plot was designed specifically to test for the assumption of normality as presented in figure 4.1 below. So, this study's data comes from a normal distribution; because, the points on the graph form a line.

Figure4.1: Normality probability plot test

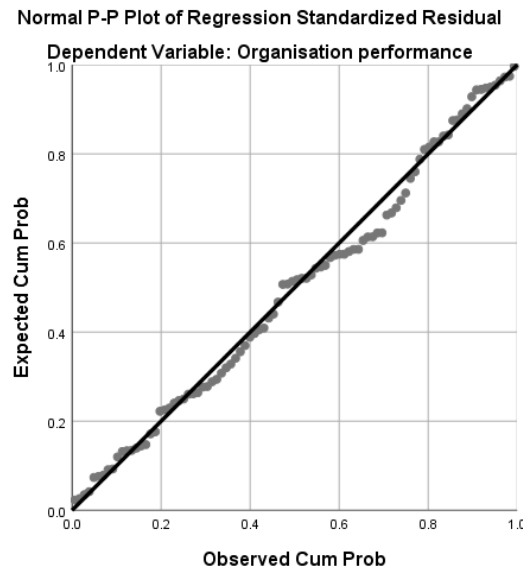


Source: own survey SPSS V25 (2023)

4.7.2. Linearity test

This study has checked linearity of the model by conducting linearity test as presented in Figure 4.2 below. The black line representing linear model of this study's data. Look, this line models this study's data; because, the study's data are closely fall to the line.

Figure 4.2: Linearity test



Source: own survey SPSS V25 (2023)

4.7.3. Multicollinearity

Strong relationship between explanatory variables is a problem of multicollinearity and not acceptable for ordinary list square regression analyses. The assumption of multicollinearity can also be assessed using SPSS as part of multiple regression procedure. In the Collinearity statistics section, Tolerance and Variance-inflation factor (VIF) values are given. Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula $(1 - R^2)$ for each variable).

If this value is small (less than 0.10) it indicates that the multiple correlation which other variables is high, suggesting the possibility of multicollinearity. In the present study the tolerance value for each independent variable was not less than 0.10 therefore, this also suggests that the assumption of multicollinearity was not violated (see table 4.8).

Table 4.10: Collinearity test

Variability	Tolerance	VIF
Training and development	0.355	2.818
Performance Management System (PMS)	0.476	2.101
Placement system	0.662	1.511
Compensation system	0.734	1.398
Career & succession planning systemas	0.756	1.299
Employee participation	0.799	1.287

Source: own survey SPSS V25 (2023)

Variance-inflation factor (VIF) has also been checked and values are found smaller, which supports that multicollinearity is not a problem. Moreover, tolerance statistics in regression analysis helps to detect collinearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multicollinearity problem (Thompson & Demirov, 2006). In this study all the tolerances are above 0.355 and, therefore, the amount of variation in that construct is not explained by other predictors. The two tests indicated that there is no multicollinearity problem (see table 4.10).

4.7.4. Autocorrelation

According to Stevens (2009), autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently. Durbin-Watson statistic can be used to test the assumption that

our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern. Table 4.11 below reveals that errors are responding independently, and autocorrelation is not a concern with DW of 1.95 (Table 4.11)

Table 4.11: Durbin Watson statistics

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.57 ^a	0.39	0.35	0.746	1.956
a. Predictors: (Constant), Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation					
b. Dependent Variable: Organisation performance					

Source: own survey SPSS V25 (2023)

4.8. Model estimation

It is common practice to evaluate the appropriateness of a single descriptive model for the problem under study with the help of the coefficient determination, R^2 . According to Reisinger (1997) in empirical studies, the most important benefit of R^2 is that it serves as a fast and easily interpretable measure for the goodness of fit of the estimated model.

In the above table the coefficient of determination specified that 39% of the deviation in Organization performance for the 98 responded employees explained by variations in Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation while 61% remains unexplained (Table 4.11).

4.9. ANOVA test

On the other hand, ANOVA test compares the means between more than two unrelated groups on the same continuous, dependent variable. Table 4.12 shown below provides the actual results from the ANOVA test.

Table 4.12: ANOVA test

ANOVA^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52.489	5	13.122	23.590	.000 ^b

Residual	49.508	92	0.556		
Total	101.997				
a. Dependent Variable: Organization performance					
b. Predictors: (Constant), Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation					

Source: Own Survey, SPSS v25, 2023

The ANOVA table above reveals that the summary of analysis of deviation and F-statistics, which discloses the value of $F(5, 92) = 23.5$, $p < .000$ which represents significant at 0.0001. The result for F value is large because $F_{\text{Calculated}}$ is greater than table value of $F(5, 92)$ it can be concluded that the set of independent variables (Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation as a whole affecting the variance of Organization performance and consequently, the model shows the real practice of Organization performance for the study.

4.10. Regression analyses and hypotheses testing

4.10.1. Regression result on organization performance

Multiple regressions were employed to investigate the effect of SHRM on Organization performance. All independent variables in the study were statistically interrelated with organization performance which shows that the data was appropriately associated with the dependent variable for investigation via multiple linear regressions. Let us see the coefficient table and interpret our hypothesis one by one in section 4.10.2

Table 4.13: Coefficient table

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.257	0.623		-3.62	
	Training and development	0.544	0.145	0.168	3.245	0.000
	Performance Management System (PMS)	0.455	0.129	0.099	3.199	0.023
	Placement system	0.422	0.239	0.04	3.087	0.026
	Compensation system	0.388	0.588	0.025	2.198	0.028
	Career & succession planning systems	0.299	0.645	0.019	2.99	0.037

	Employee participation	0.188	0.888	0.009	2.22	0.041
a. Dependent Variable: organization performance						

Source: Own Survey, SPSS v25, 2023

4.10.2. Hypothesis testing

4.10.2.1. Training and development

H₁: There is no significant relationship between training and development and organizational performance

As it has been revealed on table labelled coefficient, training and development has positive relationship with Organisation performance with ($r=0.168$, $p=0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of training and development, organization performance would be improved by = 0.168.

4.10.2.2. Performance Management System (PMS)

H₅: There is no significant relationship between Performance Management System (PMS) and organizational performance

As it has been revealed on table labeled coefficient, Performance Management System (PMS) has positive relationship with organization performance with ($r=0.099$, $p= 0.023$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Training and development, Placement system, Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of Performance Management System (PMS), organization performance would be improved by =.0.099.

4.10.2.3. Placement system

H₄: There is no significant relationship between placement system and organizational performance

As it has been revealed on table labeled coefficient, placement system has positive relationship with organization performance with ($r=0.04$, $p=0.026$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Training and development, Performance Management System (PMS),

Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of placement system, Organization performance would be improved by $=.0.04$.

4.11. Discussion

Overall the role of career & succession planning systems is reported by the mean value (2.3) fall in the range (<3) qualitatively signifying low level. Meanwhile, many scholars opined that 'career planning serves as a tool to motivate employees to work effectively and efficiently in order to achieve the goals of the organization' (Callaghan, 2018). The role of placement system is also reported by the mean value (2.3) fall in the range (<3) qualitatively signifying low level. Actually, during recruiting and selection process it is better to ask the candidate what he/she knows about the role/the job in question and having them provide work samples. Successful candidates feel good about having passed the test, and see your company as careful and capable for having selected them. According to Ibid (2006) a positive initial impression of an employer encourages growth of long term commitment (Mohammed, 2019). In addition, the role of training and development is reported by the mean value (2.29) fall in the range (<3) qualitatively signifying low level. Further, the role of compensation system is reported by the mean value (2.32) fall in the range (<3) qualitatively signifying low level. The role of employees participation is also reported by the mean value (2.5) fall in the range (<3) qualitatively signifying low level. Moreover, the role of Performance Management System (PMS) is reported by the mean value (2.18) fall in the range (<3) qualitatively signifying low level. Generally, the role of Strategic Human Resource Management (SHRM) is reported by the mean value (2.38) fall in the range (<3) qualitatively signifying low level.

Regarding to organization performance; overall Abay Insurance Company is so far off in being customer focus. This is affirmed by the mean value of 2.41 fall in the range (<3) qualitatively signifying low level. On the other hand, Abay Insurance Company is near to average level in terms of financial growth. This is affirmed by the mean value of 2.91. Generally, Abay Insurance Company's performance is not at good condition. This is affirmed by the mean value of 2.28 fall in the range (<3) qualitatively signifying low

level. Actually, this day Insurance companies have gap in balancing their profit and customer need (Hayalu, 2020).

Regarding to the relationship between SHRM and organization performance; the correlation between Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, Employee participation and Organization performance was moderate with $r = 0.46^{**}$, $p < 0.01$; $r = 0.41^{**}$, $p < 0.01$; and $r = 0.39^{**}$, $p < 0.01$; $r = 0.35^{**}$, $p < 0.01$; and $r = 0.33^{**}$, $p < 0.01$; and $r = 0.31^{**}$, $p < 0.01$ respectively. These results concur with the summary results of previous studies. For instance, Phiri & Phiri (2022) revealed the positive relationship in between Training and development, Performance Management System (PMS), resourcing and organization performance. In addition, Kadhim (2017) also aired similar result by incorporating additional independent variables.

The coefficient of determination specified that 39% of the deviation in organization performance for the 98 responded employees explained by variations in Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation while 61% remains unexplained. The summary of analysis of deviation and F-statistics, which discloses the value of $F(5, 92) = 23.5$, $p < .000$ which represents significant at 0.0001. The result for F value is large because $F_{\text{Calculated}}$ is greater than table value of $F(5, 92)$ it can be concluded that the set of independent variables (Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation as a whole affecting the variance of organization performance and consequently, the model shows the real practice of organization performance for the study. This finding is also strengthened by the results obtained by Phiri & Phiri (2022) and Kadhim (2017).

Particularly, training and development has positive relationship with organization performance with ($r = 0.168$, $p = 0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of training and

development, organization performance would be improved by = 0.168. In addition, Performance Management System (PMS) has positive relationship with organization performance with ($r=0.099$, $p= 0.023$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Training and development, Placement system, Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of Performance Management System (PMS), organization performance would be improved by =.0.099. In previous studies similar results were obtained.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This chapter presents findings, conclusion and some relevant recommendations to practice as well as for future researchers based on objective of the study mentioned in Chapter One.

5.1 Summary of findings

In this thesis work, the study investigated the role of strategic human resource management practice on organizational performance. This study applied explanatory research design. The purpose of adapting explanatory research design was to analyze pertinent data collected from the employees and to measure the role of strategic human resource management practice in improving organizational performance. Further, the quantitative part of the study was analyzed by descriptive and inferential statistics; while, the qualitative part of the study was analyzed using narrative description method. The findings are summarized as follows.

- Overall the role of career & succession planning systems is reported by the mean value (2.3) fall in the range (<3) qualitatively signifying low level. The role of placement systems is also reported by the mean value (2.3) fall in the range (<3) qualitatively signifying low level. In addition, the role of training and development is reported by the mean value (2.29) fall in the range (<3) qualitatively signifying low level. Further, the role of compensation system is reported by the mean value (2.32) fall in the range (<3) qualitatively signifying low level. The role of employees participation is also reported by the mean value (2.5) fall in the range (<3) qualitatively signifying low level. Moreover, the role of Performance Management System (PMS) is reported by the mean value (2.18) fall in the range (<3) qualitatively signifying low level. Generally, the role of Strategic Human Resource Management (SHRM) is reported by the mean value (2.38) fall in the range (<3) qualitatively signifying low level.
- Regarding to organization performance; overall Abay Insurance Company is so far off in being customer focus. This is affirmed by the mean value of 2.41 fall in

the range (<3) qualitatively signifying low level. On the other hand, Abay Insurance Company is near to average level in terms of financial growth. This is affirmed by the mean value of 2.91. Generally, Abay Insurance Company's performance is not at good condition. This is affirmed by the mean value of 2.28 fall in the range (<3) qualitatively signifying low level.

- Concerning of the relationship between SHRM and organization performance; the correlation between Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, Employee participation and organization performance was moderate with $r = 0.46^{**}$, $p < 0.01$; $r = 0.41^{**}$, $p < 0.01$; and $r = 0.39^{**}$, $p < 0.01$; $r = 0.35^{**}$, $p < 0.01$; and $r = 0.33^{**}$, $p < 0.01$; and $r = 0.31^{**}$, $p < 0.01$ respectively.
- The coefficient of determination specified that 39% of the deviation in organization performance for the 98 responded employees explained by variations in Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning system as, and Employee participation while 61% remains unexplained.
- Particularly, training and development has positive relationship with organization performance with ($r = 0.168$, $p = 0.000$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of training and development, organization performance would be improved by = 0.168. In addition, Performance Management System (PMS) has positive relationship with organization performance with ($r = 0.099$, $p = 0.023$), thus, expected hypothesis was strongly supported in the study. The result indicates when other predictors (Training and development, Placement system, Compensation system, Career & succession planning systems, and Employee participation) were constant, for every increase of Performance Management System (PMS), organization performance would be improved by = 0.099.

5.2. Conclusion

Various scholars and academicians have conducted many studies across the globe regarding to SHRM and organization performance. This research work was an attempt to investigate the role of strategic human resource management practice on organizational performance. Generally, the role of Strategic Human Resource Management (SHRM) is scant in Abay Insurance Company. In addition, nowadays Abay Insurance Company's performance is not at good condition. On the other hand, there was correlation between Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems, Employee participation and organization performance. Even the coefficient of determination specified that the deviation in organization performance explained by variations in Training and development, Performance Management System (PMS), Placement system, Compensation system, Career & succession planning systems and Employee participation while 61% remains unexplained. Particularly, training and development, Performance Management System (PMS) and Placement system have significant relationship with organization performance.

5.3. Recommendation

Based on the findings and the conclusions made before, the following recommendations are provided. Currently, Abay Insurance Company is with high demand of Strategic Human Resource Management (SHRM). In addition, the company also requires to focus on customers and to be aligned with the required learning and development activities. This study has shown also that SHRM is a key factor to improve organization performance. The results provide support to the model of SHRM, it shows that Training and development, Performance Management System (PMS), Placement system can positively affect the organization performance. In this sense, it is necessary for the company to organize training packages for their employees would be more productive. Further, for the company it is better to reconsider the existing Performance Management System (PMS). Moreover, it is necessary for company to reconsider its placement system.

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ANNEX A: QUESTIONNAIRES



**St. Mary's University
School of Graduate Studies, \
Masters of Business Administration
Questionnaires to be filled by (employees and management)**

Dear respondent,

The purpose of this questionnaire is to collect data about “*The Roles of Strategic Human Resource Management on Organizational Performance: the Case of Abay Insurance S.C*” for partial fulfillment of MA degree in business administration. The information you provide will be used only for academic purpose and kept confidential. Therefore, I kindly request you to provide reliable information for the quality of the research work.

Thank you in advance for your cooperation

Tizita Abebe

No	Items (statements)	Rating Scales				
		5	4	3	2	1
14	Training and development programs are designed to support business objectives					
15	Trainings are offered based on training need analysis translated in to training programs					
16	Formal & related training programs are provided to employees.					
17	Training programs are offered to new hires as per the skill they need					
18	Feedbacks are collected after the training delivery.					
Compensation system						
19	The benefit & compensation packages are designed to support business goals.					
20	Cash bonuses are based on individual performance					
21	Cash bonuses are based on company-wide productivity/ profitability					
22	The compensation packages are linked to performance.					
23	The compensation packages are linked to qualification of employees.					
24	Individual & team performance is adequately rewarded					

No	Items (Statements)	Rating Scales				
		5	4	3	2	1
Employees participation						
1	Employees in their job are often asked by their superiors to participate in decisions.					
2	Employees are encouraged to suggest improvements in the way things are done.					
3	Employees are encouraged to play a proactive role in improving the labor management relationship					
4	There is a climate of trust and teamwork b/n employees & management aimed at delivering a typical service to the customer					
5	Management promotes positive attitudes that result in an engaged, committed and motivated workforce					
Performance Management System (PMS)						
6	Organizational vision, mission, goals and strategies are clearly defined					
7	My division/dep't-level goals and strategies are consistent with those at company level.					
8	Job descriptions (JDs) are designed consistent with unite and organizational priorities.					
9	PMS includes results, behaviors and developmental plans consistent with unit and organizational level priorities					
10	Employees know what's expected of them –their goals and accountabilities.					
11	Performance appraisals are used for professional development.					

Part Three: Items related with Organizational Performance (Objective Two)

Please put tick (√) in the table provided for each given statement using the following scales

1= strongly Disagree; 2=disagree; 3=Neutral; 4=Agree; 5=Strongly Agree

No	Items (Statements)	Rating Scales				
		5	4	3	2	1
Customer satisfaction						
1	Overall, customers/clients are very satisfied with the products and services they receive from Abay Insurance Company					
2	Abay Insurance Company gives more benefits to its customers than competit					
3	Abay Insurance Company places a higher priority on customer/client satisfaction than on achieving short-term business goals. ors.					
4	I believe that customers recommend others to use this reliable Insurance Company					
5	Abay Insurance Company is the first choice to clients					
Financials growth						
5	Abay Insurance Company is at good level of financial performance					
6	Abay Insurance Company provides good level of annual budgeting					
7	Abay Insurance Company is at good level with its overall accounting system					
8	Abay Insurance Company is securing its financial future					
Learning and development						
9	Abay Insurance Company uses accumulated knowledge to solve new problems					
10	Abay Insurance Company applies knowledge to changing competitive conditions					
11	Opportunities for technology innovation are abundant in Abay Insurance Company					
10	High research and development are spending in Abay Insurance Company					
11	Abay Insurance Company's products/services require the adoption of new and different methods and procedures					
12	Opportunities for technology innovation are abundant in Abay Insurance Company					
10	Employees know what's expected of them –their goals and accountabilities.					

ANNEX B: OPEN ENDED QUESTIONNAIRES

1. What are the major roles of SHRM performance in Abay Insurance?

2. What benefits the company will get if it performs well in SHRM?

3. Do you think in Abay insurance the roles of SHRM well known?

4. Does the human resource department perform any roles on SHRM?

Thank you!!!