European Journal of Business and Management
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.14, No.9, 2022

Human Resource Management Practices and Organizational Performance: The Mediating Role of Human Resource Outcomes in Batu Town Administration, Oromia Regional State

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Abstract
The purpose of this study was to examine Human Resource Management practices and Organizational Performance: The Mediating Role of HR outcome in Batu Town Administration, Oromia Regional State. The study adopted both descriptive research design. A quantitative research approach was employed in data analysis. The self-administered questionnaires were used to collect data from the sample of 268 employees working in the Batu public service organizations. Exploratory Factor Analysis (EFA) and Structural Equation modeling (SEM) were applied with use of SPSS-version 26 and AMOS. To measure the intercorrelation, suitability and reliability of the data for analysis Exploratory factor analysis used whereas confirmatory factor analysis (CFA) has been used to determine composite reliability, convergent and discriminant validity and hypothesis test. The findings of the study reveals that certain HRM practices (placement, employee training, performance evaluation and reward system) positively significant effect on organizational performance and human resource outcomes (competence, motivation, role clarity and commitment). And consequently, HR outcomes has positive significant influence on organizational performance. The study also found HR outcome has mediation effect on the relationship between HRM practices and organizational performance. Thus, the higher HR out comes in organization the better contribution to organizational effectiveness and efficiency.
DOI: 10.7176/EJBM/14-9-02
Publication date: May 31st 2022

1. Introduction

Every organization, whether it be a public, privet or NGO, must operate with and through people. Public organization in particular is judge on the basis of the performance of their human resource. Ingraham & keneedler (2000) underlined that 'government activities are typically highly personnel intensive. And thus, human resource management (HRM) practices are central to improving the quality of service offered by governments.' In the words of Pfeffer (1994), "Having a good HRM is likely to generate much loyalty, commitment or willingness to expend extra effort for the organization's objectives. Moreover, Stone (1998) remarks that "HRM is either part of the problem or part of the solution in gaining the productive contribution of people''. Put it differently, HR system either enhance of destroy this potential competitive advantage (Pfeffer, 1994; Bowen & Ostroff, 2004; Neo Hollenbeck, Gerhart, & Wright, 2015;). But some scholars argue for the lack of evidence linking (HRM) with improved performance, and claim that the relationship are often statistically weak, inconclusive, and should be treated with caution, the results are often ambiguous, and that research design is often inadequate (Becker & Smidt, 2016; De Brito & Olivera, 2016). Similarly, as claimed by Paauwe, it is easy to think of better research design, but quite often the kind of data required are simply not available, or time and money are lacking (Paauwe, 2009). They are also methodological and theoretical regarding the study of the impact of HRM on organizational performance. For instance, as Jiang et al., (2012) stated, despite the fact that one can identify HRM practices that can positively affect organizational performance. There are misunderstood areas about the exact practices that should be included in HRM systems and the interrelationships between practices, highlighting the possibility of additive, synergistic or substitute effects. While others claimed HRM practices that promote employee motivation, contribution, knowledge, and skill (Jiang et al., 2012). Such beneficial outcomes have long been the focus to argue that HRM can make a positive contribution to organizations (Beer et.,1984; Jackson et al., 2014). The above quotes suggest the organization need to effectively manage their human resources if they are to get maximum contribution of their employees. Management scholars and practitioners alike have become increasingly interested in learning more about HR practices to enhance employee and organization performance (Cemal et al., 2016; Muhammad et al., 2016; Abdul Wet al., 2019; Gede et al.,2020). In managing the workforce, organizations perform many human resource management functions such as staffing, training and development, employee performance, compensation etc. (Heneman, Judge, & Kammeyer –Muller, 2015, Mathis, Jackson, Valentine, & Meglich, 2016). One of the rationales for undertaking this particular study was curiosity to check the influences of HRM practices on performance public service organizations in Batu Oromia regional state .

2. Problem statement

Ethiopia today is experiencing a growing need for public servants who are capable of efficiently, effectively and creatively mobilizing the available scarce resources to achieve national objectives. According to survey, conducted by the ministry of the civil service, the critical challenge that faces Ethiopia today is the establishment of economic, social, administrative and political institutions and the development and utilization of human resource to enable this institution to operate effectively (Ministry of civil service 2013. The literature on HRM practices suggests to improve performance in the government sector is critical (Almatani, 2020). Human resource management (HRM) is a serious of activities, functions and process which are different but interrelated and directed to attract, develop, maintain, and even terminate the employment (Floren, Rundquist, & Fischer, 2016). In line with this thought, the government of Ethiopia has been introduced various reform program from 1996. The HRM reform sub-program is also the vital components of the larger civil service program to enhance public service effectiveness and efficiency.

However, a study by Deba (2016) studied the trends and challenges of HR dynamics in Oromia Regional State revealed weak human resource management practices. Similarly, a study by Kacho et al.(2016) investigated the implementation of HRM reform the result indicate human resource practices like human resource planning, performance appraisal, recruitment& selection, Remuneration& benefits packages have not been successfully implemented; similarly, another study revealed that human resource reform efforts were far from meeting their targets (Tadesse,2019; world Bank,2019) and another recent study also explores non merit based HRM practices (Kebede et al.,2020).These studies have brought insight about Human Resource management practices in Ethiopia public service organizations but did not explored the influence HRM practices on organizational performance.

It is on this premise that the research sought to fill these gaps by determining the influence of Human Resource management practices on the organizational performance the mediating role of HRM outcomes (competence, motivation, role clarity, commitment) in Oromia public service Organizations in the case of Batu Town Administration, Oromia Regional State

3. Research Objective

- To assess the extent human resource management practices, influence human resource outcomes (human resource competence, motivation, role clarity and commitment) in public service organizations
- To analyze how Human resource outcomes in turn influence organizational performance in the context of public service organizations.
- To assess the extent human resource management practices, influence organizational performance in public service organizations.
- To investigate the extent the Human resource outcomes plays as a mediator role in the relationship between HRM practices and Organizational performance in public service organizations.

4. Research Hypotheses

H1**:** Human resource management practices have a significantly effect on Human resource management outcomes.

H2: Human resource outcome has a significant effect on Organizational performance.

H3: Human resource management practices have a significantly effect on organizational performance.

H4: Human resource outcome plays mediator role in the relationship between human resource management practices and organizational performance

2. Literature Review

2.1. Organizational performance

Organizational performance (OP) is one of the most highly researched outcome variables in the management literature (Sambasivan etal.,2011; Alaarj et al.,2016). Some researchers exclusively focus on the narrow financial performance of the organization while some focused on the large economic performance of the organization (Enticott & Walker ,2008). Organizational performance is a multidimensional concept, which seeks to measure organizational success in achieving the objectives proposed for different stakeholders in a given period (Richard et al., 2009). The multiple dimensions of organizational performance seek to encompass the diversity of interests in the organization success (de Brito & de Olivera, 2016). One of the most influential approaches contends that organizational performance involves three dimension that can be viewed as superimposing spheres that complement each other (Venkatraman & Ramanujam, 1986). Organizational effectiveness is regarded as the broader dimension of organizational performance, and includes economic and social objectives that take into account the firm's link with its stakeholders and the second operational dimension encompasses aspects such as innovation, technology, productivity, and intercedes the link between the firm's resource and its financial performance (Venkatraman and Ramanujam, 1986). Finally, the financial dimension takes into account aspects

of financial returns, markets value and growth (Venkatraman and Ramanujam, 1986; Combs et al., 2005). This would involve a range of types of performance measures at the individual, group, unit and company levels (Kariuki & Murimi,2015).

2.2. Human Resource Management Practices

Human resource management (HRM) is a multidisciplinary domain, which comprises various social science areas related to work and people management (Gold & Bratton, 2017). For example, Rahman, (2015) concur, that HRM is considered to be the most crucial in the organization, as it influences the efficiency and action of employees. Recently, the dominant focus on HRM literature has been to demonstrate the importance of effectively managing human resource of organizations (Gerhart, & Wright, 2015; Abdul et al., 2019; Gede et al., 2020).

Many scholars have identified a number of HRM-related practices that greatly affect performance. For example, Pfeffer (1994) advocated the use of 16 HRM-related practices to achieve higher performance; Delery &Doty (1996) identified seven HRM- related practices.

Researchers have also found that bundles, or systems, of HR practices had more influence on performance than individual practice working in isolation (Arthur, 1994; Baron & Kreps, 1999; Huselid, 1995; MacDuffie, 1995). While Others suggest that particular forms of HRM practices promote organizational performance, such as Staffing /Placement Studies suggest that there is a positive relationship between work placement and performance (Linge & Kiruri, 2013). It is argued that if organizations are to be effective, they have the required quality of human resource and be able to properly utilize them (Berman et al., 2016; Tessema Craft, Subhani, & Tewolde, 2015When people without the appropriate aptitudes are selected, employers will have difficulty training them to do those jobs that they do not fit (Mathis et al.,2016). Thus, it can be argued that the ultimate purpose of selection is placement, or fitting a person to the right job. Successful training not only increases the effectiveness of the skills and knowledge of employees but also helps to increase employee satisfaction, which is an important for reaching organizational objectives (Guest et al. 2020). Some researchers have found that employee training has a positive effect on organizational performance, as well as person well as Prabhu et al. (2019), conclude that a major impact on the execution of an activity," or improvement in performance (Cooke et al. 2020), and (Wood & Bischoff, 2020) likewise maintains that it." Some, or even more, of these impacts maybe increases in overall employee efficiency, where employers and workers are able to offer the best of their efforts by means of educating each other and benefiting from each other. (Sunil R. & Becky M., (2019). According to Saleem & Mehwish (2011) training is an organized increase from the basic skills needed for staff members to execute efficiently to operate the business. Performance measurements/evaluation are the tools and methods (i.e., performance indicators) that aim to gauge the achievement of objectives and strategic goals concerning the translation of effectiveness and efficiency concepts (Roge & Lennon, 2018). Moreover, scholars mentioned that measuring efficiency (i.e., outputs) particularly in public organizations, is more significant than measuring effectiveness due to public organizations are not operated for profit and the strategic goals of these organizations are mostly non-financial goals (i.e., public services) and therefore, they might pose an ambiguity (Arnaboldi et al., 2015; Roge & Lennon, 2018). Rewards are described as financial, non-financial and psychological benefits bestowed by an organization (Ovunda eta al., 2021; Jehanzeb, Rasheed & Rasheed,2012) . As per Karatepe (2013), fair reward will inspire workers to provide excellent customer service. Intrinsic reward concerns the psychological development of employees (Williamson eta al., 2009) while rewards are deemed extrinsic because they are external to completing the work itself and are controlled by people other than the employee (Ozutku, H. (2012). Nawab et al., (2016) provided strong evidence that HRM can have practical function to support the performance of the organization. A large number of researchers have highlighted the positive relationship between HRM practices (employee staffing staff development, performance management, and compensation and benefits) and organizational performance (Koser et al., 2018) Many studies tried to link OP and certain HRM functions, such as staffing (Tessema et al.2015), training (Prabhu et al. (2019; Chhy,2019; Cooke et al.2020;), appraisals (Jacob et al., 2021; Samma et al., (2021), Reward system (Hassan, 2014; Presbitero, 2017; Alias et al., 2017). Study conducted by Chen, 2017 cited in Alima A. & Faizuniah P., 2017) highlighted that bundle of HRM practices have the better prediction of employee performance.

2.3. The Mediating Role of Human Resource Outcomes

Performance, as underlined by Paauwe (1998) and Guest (1997), is multifaceted and complex phenomenon, it is difficult to clearly know to what extent HRM affects performance. When it comes to measuring public sector performance, the problem is even more difficult (Guest, 2001; Hays & Reeves, 1984;). Performance is therefore, not the direct result of any one factor such as HRM. Rather, HRM is only one important component of a diverse set of influences that determine performance level. If we are to speak with any certainty about the extent (net effect) to which HRM affects performance. One would first need to isolate HR practices effects by controlling the rest of variable's baring on performance. Only when we have made progress in measuring the independent

and dependent can we began to give full attention to the way which they are linked (Guest, 1997). As remarked by Legge (2001), 'there is a need to open up the "black box" of the process that links HRM and organizational performance' this is mainly due to the existence of intervening variables. HR practices led to HRM outcomes, which subsequently affect employee and organization performance (e.g., Fey et al., 2000; Guest, 1997; Paauwe,1998). The assumption here is that HRM outcomes serve as meditating variable's between HRM practices and performance. 'HR practices give rise to HRM outcomes, which will influence performance in and of the organization (Paauwe, 1998). Basically, there are a number of theoretical arguments (e.g., expectancy theory, resource-based theory, human capital theory,) supporting the idea that HR practice affects performance (e.g., Beer et al. 1984: Guest, 1997; Paauwe, 1998). Expectancy theory assumes that if an employee is to be productive, three elements must be in place: competence, motivation and role clarity (MacDuffie,1995). Based on resource based on view and knowledge-based view theory, some scholars claim that workers' observation of organization high commitment to HRM practices has deep –rooted influence on employee's effectiveness in working toward organizational performance (Katou, 2018). **2.5. The Conceptual Framework**

Based on theories and models discussed in this paper used as a ground rule to design the following conceptual framework.

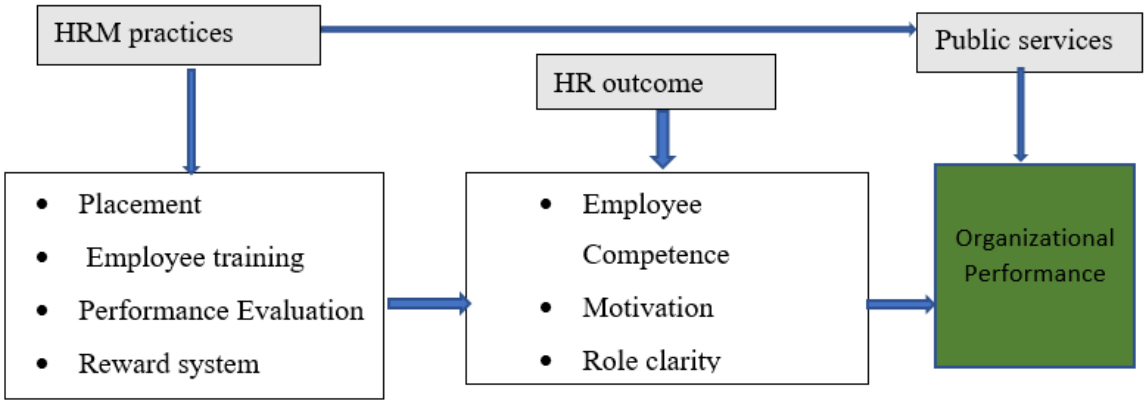

Figure 1: Conceptual framework

Source: Author ,2021

Independent variable is Human resource Management Practices (Placement, Employee training, Performance evaluation, and Reward system). And the mediating variable Human resource outcomes (Employee competence, motivation, Role clarity, and commitment) while the dependent variable is organizational performance.

3. Research Methodology

3.1. Research Design

The research design for information collection and evaluation is the blue print (Kothari, 2004). The study adopted both descriptive research designs. The descriptive design was also suitable for this study since the researcher was able to identify respondents' views in regard to the study variables. Cooper & Schindler (2006) noted that descriptive research is a method of information collection to answer questions about the current status of the study topics.

3.2. Population and Sample

A population is the whole pool from which a statistical sample is taken and there are generally some prevalent observable characteristics of the population (Calmorin, 2010). The population of this study was all permanent public servants (employees and leaders) of Batu town administration. A sample 268 respondents was included employees through simple random sampling that comprises of both male and female employees of all offices under the administration.

3.4 Sampling Frame

A sampling frame is defined as a set of source parts from which the sample is selected (Mugenda & Mugenda, 2003). The definition also includes the goal of sampling frames, which is to provide a means to select the target population members in the research (Bailey, 2008). The sampling framework for this study was a list of employees and leaders on payroll of Finance and budget office in administration.

3.5 Sample Size Determinations

Kombo & Tromp (2009), claim that a sample is a subset of a population chosen to reflect or represent a

population's features. The sample was determined according (Yemane ,1967) provides a simplified formula to calculate sample sizes by the formula.

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

n=sample size,
N=the size of population
e=the margin of error the level of confidence requires 95% confidence level.
The result of the study sample size calculation was

$$n = \frac{718}{1 + 718(0.05)^2} \qquad n = \frac{718}{2.6775} \qquad n = 268$$

3.6. Data Collection Instrument

According to Mugenda & Mugenda (2003), the selection of a tool and instrument depends mainly on the features, topic of research, data, and expected results of the subject. This study collected primary data using structured self-administered questionnaires. Kothari (2004), states that collecting data via questionnaires saves time because it is possible to collect huge quantities of information, especially when the interest population is large. The questionnaire comprises of two sections the first section contains personal questions regarding sex, age, education, experience. Second section includes Organizational performance (4 items), HRM practices (15 items) in four dimensions namely, Placement (3 items), Employee training (4 items) Performance Evaluation (4 items), Reward system (4 items) HRM outcome (4 items). Participants are requested to give their opinion on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) for all the study variables. All the questions (23 items) in the questionnaire are close-ended type.

3.7. Method of data Analysis

Quantitative data obtained from questionnaires was analyzed by using Exploratory Factor Analysis (EFA) and Structural Equation modeling (SEM) with use of SPSS-version 26 and AMOS to analyze the relationship of the variables. To measure the intercorrelation, suitability and reliability of the data for analysis Exploratory factor analysis used whereas confirmatory factor analysis (CFA) has been used to determine composite reliability, convergent and discriminant validity and hypothesis test. In this study, in order to verify mediating effects, indirect effect of HRM practices on organizational performance was examined by using Bootstrapping method. 4. Results and Discussion

4.1. Characteristics of Respondents

The demographics of the respondents revealed that 67.2% of the respondents are males;28.4% fell in the age range 31-35 years; almost 75.4% showed BA holders and 39.2% of respondents have work experience above 15 years

Table 4.1: Demographic information of Respondents

Item		Frequency	Percentage	Item		Frequency	Percentage
Sex	Female	32.8	32.8	Educational level	Lev IV or Dip	18	6.7
	Male	67.2	67.2		BA	202	75.4
	Total	100.0	100.0		MA	48	17.9
Age	Below 30	20.9	20.9		Total	268	100.0
	31-35	28.4	28.4	Work Experience	Below 5years	36	13.4
	36-40	23.1	23.1		5-10 years	57	21.3
	41-45	46	17.2		11-15 years	70	26.1
	Above 45	28	10.4		Above 15 years	105	39.2
	Total	268	100.0		Total	268	100.0

Source Author compilation,2021

4.2. Factor Analysis

The factor analysis was conducted by employing Principal Component Analysis (PCA) in order to analyze the suitability of the data.

4.2.1 Factor Analysis and Reliability Test for HRM practices.

In order to find out the strength and the direction of the variable's correlation coefficient was used in this study. The results shown that variables are significant correlation exists among the variables. According to the data presented in the blow table 4.2a the minimum correlation coefficient is 0.493 and the maximum correlation coefficient is 0.736. In addition, the level of significance or p-value of the items in the analysis $p < 0.05$. To sum

up all questions correlate fairly well and none of the correlation coefficients are particularly large or below threshold (3). Therefore, there is no need to consider eliminating any questions at this stage but still needs further test. To check the internal consistency of the variables, for HRM practices Cronbach's alpha was used. Cronbach's alpha coefficient alpha should generally be larger than 0.70 threshold (Field, 2013). Cronbach's alpha for 15 items to measure HRM practices 0.929 indicating appropriate consistency. Some writer suggested Bartlett's test of sphericity should be significant ($p<0.05$) for the factor analysis to be considered appropriate and Kaiser Meyer Olkin (KMO) measure of sampling adequacy the value of KMO should be greater than 0.5 if sample is adequate (Field,2013). For this study the Bartlett's test x^2 =2551.235 df 105 was significant($P<0.000$) and KMO test values 0.913 which is more than the prescribed value. In relation to this view Kaiser criteria data is said to be reliable when the averaged extracted communalities value test is equal or above 0.60 if the sample size is above 250 cases (Field,2013). Therefore, in this study the sample size was more than 250 and calculated average of the communalities value test for HRM practice dimension were greater than 0.603 which is above recommended communalities test values. After using Principal component analysis 15 items were retained for HRM practices. These 15 items are grouped in to three factors that have eigenvalues (a measure of explained variance) greater than 1.0, which is a common criterion for a factor to be useful. When the eigenvalue is less than 1.0 the factor explains less information than a single item would have explained. The total variance calculated is 67.288 % which is acceptable according to Hair et al., (2015). Rotated component matrix for HRM practices factors have been forced in to 3 groups and rotated using the VARIMAX rotation method to assess their loadings. Accordingly, as the analysis has sorted 15 items in to 3 groups from that having highest loading or weights and all items have greater than 0.5 loadings on their predicted construct between the unobserved items and the constructs. Therefore, these factors can be used as variables for further analysis. Therefore, the data was suitable for factor analysis

4.2.2. Factor Analysis and Reliability Test for HR outcome

Factor analysis for Human resource outcome variables all correlation coefficient among the variables were significant. According to the data presented in the blow table 4.3a the minimum correlation coefficient is 0.322 and the maximum correlation coefficient is 0.708 which is significant because $p<0.05$. Cronbach's alpha for 4 items to measure HR outcome 0.780 indicating appropriate consistency. And KMO test value 0.641 Bartlett's x^2 =372.860 df 6 $p<0.000$ and communalities value test were greater than 0.603 which is above recommended. After using Principal component analysis 4 items were retained for HR Outcomes. These 4 items are grouped in to one factor that have eigenvalues (a measure of explained variance) greater than 1.0, which is a common criterion for a factor to be useful. When the eigenvalue is less than 1.0 the factor explains less information than a single item would have explained. The total variance calculated is 60.299 % which is acceptable according to Hair et al., (2015). More than half of the variance in this case is accounted for by the first factor indicating useful for analysis. Therefore, the data was intercorrelated and suitable for factor analysis

4.2.3. Factor Analysis and Reliability Test for Organizational Performance

From the table 4.4a the results shown that significant correlation exists among the variables. Thus, the minimum correlation coefficient is 0.440 and the maximum correlation coefficient is 0.773 which is significant at $p<0.000$. Cronbach's alpha for 4 items to measure organizational performance also 0.815 which indicating appropriate consistency. For this dependent variable the KMO test values 0.745 which is more than the prescribed value and Bartlett's test x2= 515 df 6 was significant($P<0.000$) and communalities average value test for organizational dimension were greater than 0.664 which is above recommended. The total variance calculated is 66.410 % which is acceptable according to Hair et al., (2015). More than half of the variance in this case is accounted for by the first factor indicating useful for analysis

4.3. Confirmatory factor Analysis (CFA)

Confirmatory factor analysis was performed to check factor loading, model fit assessment, re-specification of model to improve the model fit and tested the reliability and validity, parameters estimation. Moreover, confirmatory factor analysis with Amos software were used to test hypotheses and mediation effect in this research.

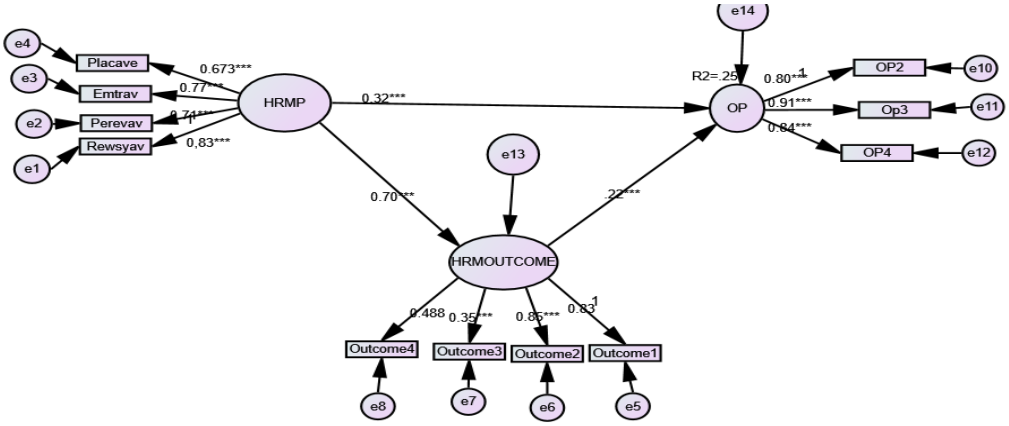

Figure 1: Research Model-Before Modification- standardized

4.3.1. Model fit Assessment

One of the measures to look at is the overall chi-square(x^2), which indicates whether the observed and implied variance-covariance matrices differ or not (Teo et al., (2013). A statistical nonsignificant value of this measure is an indicator of a good model. The model yields a x^2 value of 41.771 with probability of 0.059, when this value is divided by the degree of freedom, the result obtained (1.440) which is lower than the desirable level of 3, suggesting that the fit of the data to the model is adequate. Goodness of fit index (GFI) is an absolute index of model fit and is equivalent to R^2 to the regression analysis (Teo et al,2013), For good fit value greater than 0.9 recommended which was achieved by this research (0.973). NFI (0.975). Value of IFI (0.993), which is more than recommended threshold. A model with a good fit will have a value of Tucker-Lewis Index that approaches 1. TLI is used to compare a research model to the null model. Thus, the value TLI (0.99) which confirmed the goodness of model's fit. CFI (0.99) Comparative fit index is one of the most widely used incremental fit indices and compares the independence model with specified research model (Kline 1998). The Value of CFI (0.99) higher than recommended value. Root mean square error of approximation corrects the tendency of the chi-square to reject models with large number of variables or with large sample size. Therefore, higher values of RMSEA indicate a poor fit. The value achieved in this study (0.041) which blow the recommended value (< 0.08) and confirming the appropriateness of the model. To summarize all the goodness of fit statistics of the re-specified model fits the sample data quite well. The detail presented in the following table of model fit

Table 4.2 Model fit Index

Fit index	This research result	Recommended values	Source
X^2/df	41.771 (p-value 0.059)	Insignificant	Byrne, (2016)
CMIN/df	1.440	<5	Kline, (1998)
GFI	0.973	>9	Rehman et al (2015)
NFI	0.975	>9	Kline, (1998)
IFI	0.992	>9	Koropp (2014)
TLI	0.995	>9	Kline, (1998)
CFI	0.992	>9	Kline, (1998)
RMSE	0.041	<0.08	Kline, (1998)

Source: Author compilation

4.3.2. The Assessment of Factor Loading &Composite Reliability Test

The model-standardized (see figure 1) where all the variables were included. The variable HRM practices and HRM outcome (mediate role) are exogenous variables which are independent while Organizational Performance is endogenous which are dependent on other variables. Three latent variables in model.

Accordingly, the result of this study as shown in table 4.3 all of the items have greater than 0.50 except role clarity (0.48) and commitment (0.352) loading on their predicted construct that indicated the association of latent variables with their loading factors. The regression weights (standardized) all factor loading were significantly loaded ($p < 0.01$) on their respective constructs. A composite reliability is constructed for every construct and then compared with the cut-off value of 0.6(Bagozzi &Yi,1988). The composite Reliabilities values for constructs in this study also obtained for Organizational Performance (0.887), Human Resource Management Practices (0.835), and Human Resource Management Outcome (0.740) which is higher than the minimum threshold 0.6.(see table 4.3)

Table 4.3: Factor Loading Assessment composite reliability (using Amos)

Predicted Construct	Indicators	loading	**Composite reliability**
Human Resource Management Practices	Placement	0.673	0.835
	Employee training	0.772	
	Performance Evaluation	0.709	
	Reward system	0.832	
Human Resource outcome	Competence	0.828	0.740
	Motivation	0.851	
	Role clarity	0.352	
	Commitment	0.488	
Organizational Performance	Organizational efficiency	0.801	0.887
	Organizational image	0.913	
	Citizen satisfaction	0.837	

Source: Author, 2021

4.3.3. Convergent and Discriminant validity Test

Convergent validity is shown how the indicator variables close on given latent variable. As noted by Ylien&Gullkvist (2014), convergent validity can be evaluated by examining composite reliability (CR) and average variance extracted (AVE), where CR indicates consistency of the constructs and AVE measures the amount of variance attributed to the construct relative to the amount due to measurement error (Azwa et al.,2016).

In this study analysis the obtained average variance extracted values for Human Resource Management Practices (0.560) Organizational Performance (0.543) and Human Resource Management Outcome (0.444). According to Furnnell & Larcker, (1981) even if AVE is less than 0.5 but the composite reliability is higher than 0.6 the convergent validity of the construct considers as adequate while discriminant validity which indicates the latent variable how far they are different or discriminated from another construct. In this study were used Average variance extracted (AVE) to assess the discriminant validity of the constructs by using Amos. It is calculated when square root of AVE for each latent. The square root of AVE must be more than the latent variables squared multiple regression correlation or estimated correlation (Furnnell & Larcker, (1981). Thus, the discriminant validity value obtained in this study for Human Resource Management Practices (0.749) Organizational performance (0.737) and Human Resource Management Outcome (0.665) and squared multiple correlation indicated Organizational Performance (0.243) and HRM outcome (0.493) which are below the square root of AVE. Therefore, there is existence of discriminant validity for latent variables. (See table 4.4)

Table 4.4: Convergent and Discriminant Validity Test

Indicator Variables		Latent Variables	Standardized loading	square of standardized loading	Sum of the squared standardized loading	number of indicators	AVE	Square root of AVE/DV
Placave	<--	HRMP	0.673	0.452929				
Emtrav	<--	HRMP	0.772	0.595984				
Perevav	<--	HRMP	0.709	0.502681				
Rewsyav	<--	HRMP	0.832	0.692224	2.243818	4	0.560	0.749
OP2	<--	OP	0.801	0.641601				
Op3	<--	OP	0.913	0.833569				
OP4	<--	OP	0.837	0.700569	2.175739	4	0.543	0.737
Outcome1	<--	HR outcome	0.828	0.685584				
Outcome2	<--	HR outcome	0.851	0.724201				
Outcome3	<--	HR outcome	0.352	0.123904				
Outcome4	<--	HR outcome	0.488	0.238144	1.771833	4	0.444	0.665

Source: Author calculation,2021

4.3.4. Multicollinearity Test

The presence of multicollinearity also causes a problem in SEM because the results of some tests may be biased. The usually practice is to compute bivariate correlation or to run the regression and inspect values of tolerance, Variance inflation factor (VIF) and condition index. The results of the multiple regression are shown below table 4.5 indicated the collinearity statistics tolerance value for two independent variables (0.805) which is more than 0.2(Threshold) and VIF value (1.242) is less than 5. Eigen value also provided an indication of how many distinct dimensions there are among the independent variables. When the values of Eigen values close to zero indicate the variable highly intercorrelated but in this study case the values are not close to zero, thus, multicollinearity problem is not between independent variables. Another option also needs to check from

multicollinearity diagnosis condition index column whether values must be less than 15. Therefore, the result indicated less than 15 that shown there is no multicollinearity problem in between independent variables.

Table 4.4: Results of the Values for Tolerance, VIF and Condition Index from multiple regression Analysis**.**

Table 4.4a: Tolerance, VIF collinearity statistics

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.426	.187		7.624	.000		
	HRMP	.516	.064	.466	8.106	.000	.805	1.242
	HR Outcome	.130	.053	.141	2.460	.015	.805	1.242

a. Dependent Variable: Organizational Performance

4.b: Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions		
				(Constant)	HRM practices	HR Outcome
1	1	2.887	1.000	.01	.01	.01
	2	.064	6.701	.23	.17	.99
	3	.048	7.722	.76	.82	.00

a. Dependent Variable: Organizational Performance

Source: Author Calculation

4.3.4. Hypothesis Testing

In reviewing the model parameter estimates three criteria are, feasibility of the parameter estimates, the appropriateness of the standard errors and the statistical significance of the parameter estimates Byrne, (2016). In this study the regression weight of un-standardized and standardized have similar statistically significant satisfy the required criteria.

Table 4.5: Regression Weights- unstandardized and standardized

			Estimate	S.E.	C.R.	P	Label	Standardized Estimate
HR outcome	<---	HRMP	.482	.073	6.630	***	par_6	0.702
OP	<---	HR outcome	.358	.155	2.309	.021	par_7	0.215
OP	<---	HRMP	.365	.109	3.336	***	par_8	0.320
Rewsyav	<---	HRMP	1.000					0.832
Perevav	<---	HRMP	.999	.086	11.557	***	par_1	0.709
Emtrav	<---	HRMP	.977	.077	12.729	***	par_2	0.772
Placave	<---	HRMP	.921	.085	10.900	***	par_3	0.673
OP2	<---	OP	1.000					0.801
Op3	<---	OP	1.189	.071	16.774	***	par_4	0.913
OP4	<---	OP	1.114	.072	15.504	***	par_5	0.837
Outcome4	<---	HR outcome	1.000					0.488
Outcome3	<---	HR outcome	.700	.110	6.336	***	par_9	0.352
Outcome2	<---	HR outcome	1.710	.227	7.544	***	par_10	0.851
Outcome1	<---	HR outcome	1.717	.221	7.758	***	par_11	0.828

Source: Author,2021

As the result the finding regression value of unstandardized table above human resource management practices has a significant influence on organizational performance and the association between two constructs were enhanced by human resource outcomes (competence, motivation, role clarity and commitment) by playing a mediating role. R^2 = value is 0.25 indicating that all hypothesis is significant and accepted. The hypothesis H1 assuming human resource management practices have a significantly effect on Human resource outcomes with Beta coefficient 0.482 p-value 0.000. When HRMP increase by one HR outcome goes up by 0.482. The hypothesis H2 assuming human resource outcome has a significant effect on Organizational performance is accepted with Beta coefficient 0.358 p- value 0.021. When HR outcome increases by one organizational performance increase by 0.358. Likely hypothesis H3 assuming human resource management practices have a

significantly effect on organizational performance is also accepted with Beta coefficient 0.365 p value 0.000. When HRM practices increase by one Organizational performance goes up by 0.365.

Table 4.6 Hypothesis assessment

Hypothesis	Relationship	Standard coefficient paths	P value	Decision
H1	HRM practices- HR Outcome	0.482	0.000	Accepted
H2	HR outcome-Organizational performance	0.358	0.021	Accepted
H3	HRM practices Organizational performance	0.365	0.000	Accepted
H4	HR outcome's mediate role in between HPM practices and organizational performance	0.151	p=0.020	Accepted

Source: Author,2021

4.3.5. Mediation Analysis

The variable starting the causality relation between the independent and the dependent variable is called as mediator variable (Wu & Zumbo, 2008). In order to apply this method, the changes that occur in the independent variable cause a change in the mediator variable and changes in the mediator variable cause changes in the dependent (Baron & Kenny, 1986). For further analysis Amos, structural equation Modeling was used to test the significance level of the effect of mediator (Human resource outcome) between human resource management practices and organizational performance. In this study, in order to verify mediating effects indirect effect of HRM practices on organizational performance was examined by using Bootstrapping method. As the result the standardized total (direct and indirect effect of HRM practices on organizational performance is positively significant (r=0.471 p=0.008). This is due to both direct(unmediated) and indirect (mediated) effect of HRM practices on organizational performance, this shows when HRM practices increase by 1 standard deviation organizational performance also increase by 0.471 standard deviation. The standardized direct(unmediated) effect of HRM practices on organizational performance is positively significant (r=0.32, p=0.009). This means HRM practices goes up by 1 standard deviation, organizational performance goes up by 0.32 standard deviation. This is in addition to indirect (mediate) effect that HRMP have on organizational performance while the standardized indirect (mediated) effect of HRM practices on organizational is positively significant (r=0.151 p=0.020). This is due to the indirect effect of HRM practices on organizational performance. This indicate when HRM practices goes up by 1 standard deviation organizational performance goes up by 0.151 standard deviation.

As the result of unstandardized estimate shows the total (direct and indirect) effect of HRM practices on organizational performance is positively significant (r=0.538 p=0.023). This means when HRM practices goes up by 1 organizational performance goes up by 0.538. The direct (unmediated effect of HRM practices on organizational performance has positive effect on organizational performance (r=0.365 p=0. 023). When HRMP goes up by 1, organizational performance also goes by 0.365. Similarly, the indirect (mediated effect of HRMP has positive significant on organizational performance (r=0.173 p=0.026), when HRM practices goes up by 1, organizational performance goes up by 0.173. From the (table 4.13) calculated the ratio of mediation (indirect effect/ total effect) indicated that organizational performance received only 32% of the indirect effect from human resource practices through human resource outcome while the remaining 78% accounted by other mediating factor not included in the model that required further study. Therefore, HR outcome could be taken as a mediator, but in smaller amount. So that, partially mediates the influences of human resource practices on organizational performance. As a result, depending on the analysis result hypothesis 4 assuming human resource outcome plays mediator role in the relationship between human resource management practices and organizational performance is supported. That means HR outcome has mediation effect on the relationship between HRM practices and organizational performance

Table 4.7a: Standardized Effects (Using AMOS)

	Standardized estimation	Standardized total effect -two tailed significance (BC)/p-value	Decision
Total effect	0.471	0.008	Significant influence
Direct effect	0.320	0.009	Significant influence
Indirect effect	0.151	0.020	Significant influence

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Table4.7b: Unstandardized Effects (Using AMOS)

	Standardized estimation	Standardized total effect -two tailed significance (BC)/p-value	Decision
Total effect	0.538	0.023	Significant influence
Direct effect	0.365	0.023	Significant influence
Indirect effect	0.173	0.026	Significant influence

Significant at the p<0.05 (2-tailed) n=268

4.4. Conclusion

This paper concludes that public service organizations are able to successfully implement HRM practices, they could achieve maximum contribution through their employees. This study provides further evidence with regard to the link between HRM practices and organizational performance by explaining how, when and to what extent HR practices affect performance in public organizations level. The findings of the study reveals that certain HRM practices can significantly improve organizational performance. The research highlighted that HRM practices placement, employee training, performance evaluation and reward system which consequently has an impact on human resource outcomes and organizational performance in terms of efficient and effectiveness. In this study the result indicated that HRM outcomes (HR competence, motivation, role clarity and commitment) serve as mediating variables between human resource practices and organizational performance. It is assumed that other things being equal, competent employees are more effective than incompetent employees. Employees who are motivated are more effective and satisfied than those are not. Employees with clear duties and responsibilities are more productive than employees with role ambiguity and confusion; and employees who have commitment more strive to achieve organizational goal in better way than those employees are not committed. Thus, the higher HR out comes in organization the better contribution to organizational effectiveness and efficiency.

4.5. Limitation of the study

This study has some limitation that leaves some questions open for future research. First this research employed a quantitative research approach, but methodological triangulation it may be possible to gain a better understanding if supplement with qualitative approach. Secondly the mediation effect indicated that organizational performance received only 32% of the indirect effect from human resource practices through human resource outcome while the remaining 78% accounted by other mediating factor not included in this study. This indicated there are other factors that can mediate the relationship between HRM practices and organizational performance for future researches to be included. Thirdly, the sample size may not be very large to generalize the findings. Hence in order to generalize and validate the findings of this study, I suggest that the same study is conducted with a large sample size in national level in general or Oromia Regional state in particular.

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