



# THE EFFECTS OF EMPLOYEE RELATIONS MANAGEMENT ON EMPLOYEE PERFORMANCE IN THE CASE OF CAPITAL CITY OF ETHIOPIA ADDIS ABABA TRADE BUREAU

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**ABSTRACT:** *The purpose of this study was to investigate the effects of Employee Relationship Management (ERM) on employee performance at trade bureau. The researcher uses descriptive and explanatory research design, mixed research approaches, probability of simple random sampling type both primary and secondary sources of data were used and Data were analyzed by using percentage, frequency, Pearson correlation and multi-linear regression method. According to data interpretation and finding this research result shows ERM has lack of efficiency, effectiveness, awareness and using effort to perform their tasks with required time and cost but also lack of creative capacity and taking responsibility problem on employee performance at trade bureau. In other words ERM and employee performance has a strong positive correlation and 69% employee performance at trade bureau determine by ERM.*

**Key Words:** *Employee Relation Management, leadership, Employee Performance.*

## INTRODUCTION

Employee is a person who works with governmental or nongovernmental organization on permanently or temporary, but also it offers his or her services under a contract of employment, whether written, oral or implied [8]. Addis Ababa is the capital city and has many governmental and non-governmental office residence. Among these governmental offices trade bureau is one of them. This research determines the effects of employee relation management on employee performance and provides solution to the concerned managers how to solve the problem.

### 1. Statement of the problem

Employee relationship refers to the relationship between employees and management as a framework of organizational justice consisting of organizational culture and management style as well as rule, procedural

sequence for grievances and conflict management indeed [3]. Maintaining good employee relation management is important to build trust between employee & management, and contributes to achieve employee & organization goals. But communication barriers between employees and managers, lack of leadership styles and practical implementation of the human resources practices are the main problem of Trade Bureau employee to perform their tasks efficiently and effectively.

Lack of proper implementation of dimension employee relation management practice at trade bureau leads employees to be unhappy. If employees are not happy, they do not put up their best performance and finally leave their organization [6]. According to 2017, annual report of employee score card performance result at trade bureau indicates 17.1% employees where with performance results less than 60%, but also according to, [4] case assessment of employee turnover rate research finding indicated the annual employee turnover rate at Trade Bureau was 35%. This lack of proper implementation of the dimension of employee relation management and high employee turnover rate affects employee and organizational performance.

## ***2. Objectives of the study***

The objective of the study is assess the effects of employee relations management on employee performance at Trade Bureau.

## **3. Research methodology**

### **4.1. Introduction**

This part includes research design, approaches, population and sampling frame, sampling methods, techniques, sampling sizes, data sources, collection methods and procedure, methods of data presentation, analysis and interpretation.

### **4.2. Research design**

This research used descriptive and explanatory research design. The descriptive research design aims at establishing the existence of a variable. The goal of a descriptive study is to describe relevant aspects of the phenomena that are of interest from an individual, organization perspective.

### **4.3 Research Approach**

The researcher uses mixing research approaches. It focuses on collecting, analyzing both quantitative and qualitative data in a single study or series of studies [1]. The reason behind using both qualitative and quantitative approaches to overcome the limitations of using only one approaches (either qualitative or quantitative) and to increase the validity by triangulation.

### **4.4 Population and Sampling Design**

#### **4.4.1 Target Population**

A population is all the individuals or units of interest, typically there is not available, data for almost all individuals in a population. This research included of total population 350 employees and managers who are working for different departments and staff in trade bureau.

## 4.4.2 Sampling Design

### 4.4.2.1 Sample Frame

A sample frame is the set of source of materials from which the sample is selected or a means for choosing the particular members of the target population that are to be interviewed in the Survey.

### 4.4.2.2 Sampling types

This research used probability sample methods. Probability Sample is a sampling technique in which sample from a larger population are chosen using a method and everyone in our population has a known and an equal chance of getting selected [2].

### 4.4.2.3 Sampling technique

The sampling unit included the existing employee and managers in trade bureau and selected by a probability of simple random sampling method. The researcher used two groups that are employee and the managers. So this study was taken proportional sample numbers from the two groups. The sampling size calculation techniques used simple random calculation system of (Yamane, 2003).

$$n = \frac{N}{1+N(e)^2} = \frac{350}{1+350(0.05)^2} = 187$$

For total population  $N=350$

Let the research, 95% confidence, sampling error = 0.05, where, n = the desired sample size

e = acceptable error (the precision) N = population size

The research has taken proportional rate from two strata

$$\text{Proportional rate} = \frac{350}{187} = 1.872$$

$$\text{From employee} = \frac{320}{1.872} = 171$$

$$\text{From managers} = \frac{30}{1.872} = 16$$

According to this result 171 employees and 16 (team and working process leaders) managers were sample unit for this research. So total sample size is 187 respondents were included in the research.

## 4.5. Source of Data and Collection Instruments

### 4.5.1 Source of data

The researcher used both primary and secondary source data. Primary sources of data are information gathered by the researcher himself.

### 4.5.2 Method of Data Collection

The researcher collected primary data by Self-administered questionnaires and semi structured interview. Secondary data collected by reading of facial annual planning and six month employee performance result reports and other important statistical data was used.

### 4.5.3 Data collection procedures

Primary source of data collected by preparing research question, select and ask the respondent permission to participate in research and distributes question to them, fill-in the response in case of Self-administered questionnaires, but also by reading the question and asking the respondent to their response and write the response in case of semi structured interview. Secondary source data collected from the performance evaluation by taking three terms (2018 first, second and 2019 first term) employee score card performance result.

## 4.6 Method of data analysis and presentation

### 4.6.1 Data Presentation

Presentation of data refers to how mathematicians and scientists summarize and present data related to scientific studies and research. The researcher used as text, tabulation, frequency and percentage techniques for data presentation.

### 4.6.2 Data Analysis

After the data were ready for analysis the researcher used quantities and qualitative data analysis methods. The researcher used descriptive data analysis by mean, percentage, frequency and the inferential Statistical data analysis by using Correlation and multi- linear regression. Qualitative data result analysis by using text.

## 4.7. Validity and Reliability Test

### 4.7.1. Validity Test

Questionnaire was distributed before the collection of actual data. The suitability of the questionnaire for this study was tested on 41 respondents. Then the questionnaires modified to avoid unnecessary questions on the basis of their feedback.

### 4.7.2. Reliability Test

The reliability of an instrument refers to its ability to produce consistent measurements each time.

## 4.8 Statistical symbols

M = mean, DF = degrees of freedom, SD = standard deviation, F = Fisher's statistic (ANOVA) p = Probability R = correlation coefficient (Pearson),  $R^2$  = model summary. E = error of confidentiality, equal =

# 4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

## 5.1 Introduction

This part describes the presentation, analysis, interpretation of the data gathered from Trade Bureau employees and managers. These data were collected through questionnaires, interviews and employee score card work performance result annual and six month report. The researcher used tables, frequencies, percentages, correlation and regression for data presentation and analysis of the research findings.

## 5.2 Response rate

For research credibility, purpose the study needed to use 187 respondents through a questionnaire to sample respondents. Among the distributed questionnaires for 174 employees were returned timely and 5 of them were discarded as incomplete the remaining 13 are not returned. The total response rate of this research was 90.3%. So primary data presentation, analysis, result discussion and conclusion explained, concerned about 169 responses taken as the benchmark.

## 5.3 Demographic characteristics of the respondents

According to the respondent requested to fill their demographic status of, sex, age, education background and years of experience their response summarized in table 4.1

**Table 5.1 Demographic characteristics of the respondents**

Item		Frequency	Percent
Sex	Male	117	69.2
	Female	52	30.8
	Total	169	100
Age	From 18- 30 years	79	46.7
	From 31- 40 years	46	27.2
	From 41-50 years	37	21.9
	Above 50 years	7	4.1
	Total	169	100
education	Under diploma	3	1.8
	Diploma	24	14.2
	first degree	142	84
	Total	169	100
experience	less than 2 years	117	69.2
	from 2- 5 years	34	20.12
	from 6- 9 years	16	9.47
	10 years and above	2	1.2
	Total	169	100

In table 5.1 the sex of respondents indicate that 69.2 % of them are male, while the remaining 30.8% are female. According to table 5.1 the respondents age group indicates that 46.7% of respondents were between the ages of 18-30 years, 27.2% between 31-40 years, 21.9 % between 41-50 years and 4.1 % are 50 years and above. In table 5.1 educational status of respondent response indicate that 1.8% respondents have under diploma, 14.2 % respondents have a diploma, and 84 % respondents have first degree.

## 5.4 Result and finding

This section describes the response of employee about the different dimensions of employee relation management practices at Trade Bureau.

**Table 5.2 Employee response on ERM practice by Liker scale**

	St. disagree		Disagree		Neutral		Agree		St. agree(s)	
	F	%	F	%	F	%	F	%	F	%
Human resource practice	8	4.8	61	36.2	49	29.1	51	30.17		
Communication practice	11	6.6	44	26.2	47	28	66	39.1	1	0.6
Shared goals and value practice	49	28.9	67	39.7	43	25.4	9	5.4	1	0.6
Leadership style practice	30	17.8	73	43.2	23	13.8	41	24.2	2	1.2
Total										

**Primary source of data**

Based on table 5.2 employee responses concerned to human resource practices at Trade Bureau, 4.8 % strongly disagree, 36.2% disagree, 29.1 % neutral, 30.17% agree. According table 5.2 employee responses about communication practices at Trade Bureau 6.6% strongly disagree, 26.2 % disagree 28% neutral, 39.1 % agree and 0.6% strongly agree. Based on table 5.2 employee response concerned about shared goals and value practices in Trade Bureau 28.9% strongly disagree, 39.7 % disagree, 25.4% neutral, 5.4% agree and 0.6% strongly agree. In table 5.2 employee response concerned about leadership style practices in Trade Bureau 17.8% strongly disagree, 43.2% disagree 13.8% neutral, 24.2% agree and 1.2 % strongly agree.

**Table 5.3 manager's evaluation response**

No	indicator of employee performance	St. disagree		Disagree		Neutral		Agree		St. agree	
		F	%	F	%	F	%	F	%	F	%
1	employee perform their tasks efficiently and effectively	60	35.5	42	24.9	49	29	18	10.7		
2	employees make their effort to achieve their tasks in the required time	49	29	59	34.9	59	35	2	1.2		
3	employees have well known and understand the nature of the assigned tasks	38	22.5	64	37.9	56	33	11	6.5		
4	employees participate in decisions that improve their Performance	45	26.6	67	39.6	47	28	9	5.3	1	0.6
5	there is ability for employees to take responsibility for the daily burden of work	60	35.5	101	59.76	-	-	8	4.73		
6	Direct supervision and constant follow-up of the managers leads to improve the employees performance	71	42	57	33.7	37	22	2	1.2	2	1.2
7	Employees have the ability to creativity, innovation and job development	50	30	70	41	33	20	16	9.5	0	0

**Primary Source of data**

In table 5.3 manager's evaluation response about the employee task performance, efficiency and effectiveness for 35.5 % employee strongly disagree, for 24.9 % disagree, for 29% neutral and for 10.7 % agree. Managers evaluation response about the employee making efforts to achieve their tasks in the required time for 29 % employee strongly disagree, for 34.9 % disagree, for 35 % neutral for 1.2 % agree.

Managers evaluation response about the employee well-known and understand of the nature of their assigned tasks for 22.5 % employee strongly disagree, for 37.9% disagree, for 33.1 % neutral and for 6.5 % agree. Managers evaluation response about participating employee in decisions that improve their Performance for 26.6 % employee strongly disagree, for 39.6 % e disagree, for 27.8% neutral for 5.3% agree and for 0.6% strongly agree.



A manager's evaluation response about the ability of employee's to take responsibility for the daily burden of work for 35.5 % employee strongly disagree and for 59.76 % disagree and 4.73% agree.

A manager's evaluation response about the employee direct supervision and constant follow-up of the manager's leads to improve employee performance for 42% employee strongly disagree, for 33.7 % disagree, for 22% neutral and for 1.2% agree, for 1.2% strongly agree. Manager evaluation response about the employee's ability to creativity, innovation and job development for 30 % employee strongly disagree, for 41 % disagree, for 20 % neutral for 9.5 % agree.

**Table 5.4 secondary sources of data (employee score card performance result)**

No	Number(amount)of employee who score the result	Employee performance result	percentage
1	53	Less than 60	16.98%
2	228	Between 60 up to79	73.07%
3	25	Between 80 up to 94	8%
4	6	Greeter than 95	1.92%
5	8	Employee that doesn't evaluate	2.5%

### Secondary Source of data

This section describes three terms (2020 G.C first, second and 2021G.C first term) employee annual and six month score card performance result that was evaluated in different department at Trade Bureau. In this Bureau employee evaluated their performance in every six months.

In table 5.4 employee performance result shows 16.98% employee of Trade Bureau their performance result less than 60%, 73% employee their performance result is between 60 up to79, 8% employee their performance results are between 80up to 94 and 1.92% employee their performance results above 95 and 2.5% of employee didn't evaluated due to their years of experiences less than six months at Trade Bureau. The above secondary data show that 16.98% employee performance result less than 60 this means that according to Trade Bureau performance scale indicates low performance result. This result indicates employee relation management has lack of practical implementation to improve the employee performance at trade Bureau.

#### 4.4.1 Reliability

The reliability of an instrument refers to its ability to produce consistent measurements each time. The researcher used Cronbach's alpha since it is a coefficient of internal consistency commonly to estimate the reliability. A reliability coefficient of 0.7 or over will be assume to reflect the internal reliability of the instrument as a Cronbach's alpha of 0.7 is viewed as the minimum acceptable level of reliability.

**Table 5.5 Test of reliability**

Reliability Statistics		
Naming of variables	No items	Cornbrash's Alpha
Human resources	11	0.835
Communication	8	0.868
Shared goals, and value	6	0.86
Leadership style	6	0.701
Employee performance	7	0.777

### Primary Source data

As described in table 5.5 Cronbach's alpha result for human resources practice = 0.835, Communication practice = 0.868, shared goals and value practice = 0.860, leadership styles practices =0.701, employee

performances = 0.777. According to, [7] explanation the Cronbach's alpha result must be 0.700 and above. So this effect of employee relation management research can fulfill the requirement. So this study has reliable.

**Table 5.6 Correlation result**

No.	Name of variables	Pearson Correlation Coefficient	Sig
A	Human resources practice relation with employee performance	0.770	0.000
B	Communication practice relation with employee performance	0.785	0.000
C	Shared goals, and value practice relation with employee performance	0.718	0.000
D	Leadership style practice relation with employee performance	0.699	0.000

**Bivariate Pearson correlation result**

As shown in table 5.6 the correlation coefficient between human resources practice, Communication, Shared goal and value, Leadership style on the employee's performance equals 0.770, 0.785, 0.718, 0.699 respectively, and the p-value (Sig.) is less than 0.05. According to, Mohamed (2015) explanation correlation result between independent and dependent variable above 0.5 and significant value = 0.05, but also, Gujarat(2004) expands correlation result between independent and dependent variable above 0.5 at significant value less than 0.05 are positive strong correlation. According to [5] and [6] explanation this research correlation result is strongly positively correlated.

**Table 5.7 collinearity test**

Coefficient Correlations						
Model		Leadership style practice	Human resource practice	Shard goals and value practice	Communication practices	
1	Correlations	Leadership style practice	1	-0.132	-0.364	-0.264
		Human resources practice	-0.132	1	-0.213	-0.604
		Shard goals and value practice	-0.364	-0.213	1	-0.203
		Communication practice	-0.264	-0.604	-0.203	1
A Dependent Variable: employee performance						

**Bivariate Pearson collinearity test**

According table 5.7 the correlation coefficient result between leadership style with Shared goals and value = -0.364, Leadership style with Human resources practice = -0.132, Leadership style with Communication = -0.264, Shared goals and value with Human resources = -0.213, Shared goals and value with Communication = -0.203, Human resources with Communication = -0.604. According to, [5] and [5] explanation correlation result between independent variables from -0.1 up to -0.3 strongly negative correlation and from -0.3 up to -0.5 moderate negative correlation, -0.5 and above weak negative correlation. So this research result shows leadership style with human resources practice, Shared goals, value with human resources, shared goals and value with communication each independent variable have strong negative relation. Leadership style with Communication, leadership with Shared goals and value each independent variables have moderate negative relation. Human resources with Communication have weak negative relation.



## 5.4.2. Diagnostic Tests of Assumptions of Classical Multi-Linear Regression Model

### 5.4.2.1 Normality Test

This assumption test whether the data is well model by normal distribution or not. This test of normal distribution could be checked by graphical (histogram and dot plot) method of tests.

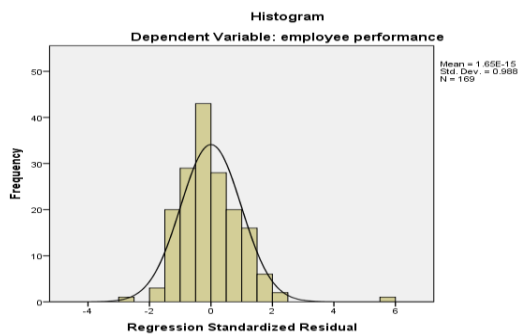


Figure 1 dependent variable Employee performance

### 5.4.2.2 Homoscedasticity Test

This assumption assumed that the variance of the errors is constant. Assumptions can be checked by scatter plot diagram.



Figure 2 scatter plot employee performance

The result plots the values the model would predict, against the residuals obtained. As the predicted values increase, the variation in the residuals should be roughly similar. The graph looks like a random array of dots. So, the model is homoscedasticity

### 5.4.2.3 Multicollinearity Test

The third test used to check the assumptions set was tested for multi-Collinearity. The multi-Collinearity test is used to check whether there is a strong correlation among the predictors of the dependent variables. It should be verified that the variables are independent otherwise two variables might be considered as one and create a problem with the distribution of the data. According to Field (2009) when the correlation coefficient ( $r$ ) greater than 0.80 or the tolerance value below 0.10 and variance inflation factor (VIF) greater than 10 in the correlation matrix, multi-collinearity problem is serious for the distribution. If the variance inflation factor (VIF) is greater than 10 there is a multi-collinearity problem with the data. Thus, below 10 VIF indicates the normal distribution. Tolerance is a statistic used to indicate the variability of the specified independent variable that is not explained by the other independent variables in the model.

**Table 5.8 regression coefficients**

Coefficients a													
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	0.203	0.103		1.965	0.05	-0.001	0.407					
	Human resources	0.183	0.059	0.265	3.109	0.002	0.067	0.300	0.77	0.236	0.135	0.261	3.83
	Communication	0.195	0.054	0.319	3.582	0.000	0.88	0.303	0.785	0.269	0.156	0.239	4.185
	Shard goals, and value	0.128	0.047	0.192	2.691	0.008	0.034	0.221	0.718	0.206	0.117	0.371	2.699
	Leadership	0.080	0.040	0.139	1.969	0.05	0.00	0.159	0.699	0.152	0.086	0.378	2.648

A Dependent Variable: employee performance

**Primary Source data**

According to table 5.8 the regression coefficient's result, at 95% confidence level

$$EP = HR + CM + SVG + LS$$

EP = employee performance, HR = human resource practice, CM = communication, SVG = shared goals and value, LS = leadership style

Let EP = y, HR = x<sub>1</sub>, CM = x<sub>2</sub>, SVG = x<sub>3</sub>, LS = x<sub>4</sub>, and B<sub>0</sub> = constant and B<sub>i</sub> = coefficient of x, E = error

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + E$$

Let B<sub>0</sub> = 0.203, B<sub>1</sub> = 0.183, B<sub>2</sub> = 0.195, B<sub>3</sub> = 0.128, B<sub>4</sub> = 0.08, E = 0.05

$$Y = 0.203 + 0.183x_1 + 0.195x_2 + 0.128x_3 + 0.08x_4 + E$$

$$Y = 0.203 + 0.183x_1 + 0.195x_2 + 0.128x_3 + 0.08x_4 + E$$

So all independent variable's coefficient value are positive and the sig value less than 0.05, This indicates when the value of x change by one unit, but also the value of y change by one unit. This indicates that employee relation management and employee performance have directly related and dimension employee relation management has a positive effects on employee performance at Trade Bureau.

**5.4.2.4 Autocorrelation Test**

Multiple linear regression models assume the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50 [5]. From the result the assumption of independence of residuals was satisfied. Which was DW = 2.439

**Table 5.9 Model Summary**

Model Summary										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	0.83	0.69	0.682	0.32267	0.69	91.112	4	164	0.00	2.439

A. Predictors: (Constant), Leadership, human recourse, shard goals and value, communication

B. Dependent Variable: employee performance

According to table 5.9 the model summary result  $R = (0.83)$  and  $R \text{ Square} = (0.69)$ . This shows that there is a strong association between independent variables and the dependent variable with the standard error 0.32267 in table 4.9. In additions to this  $R \text{ square}$  result 0.69 implies that 69% employee performance result depended on HR, Communication, Shared Goals and Leadership Style Practices and 31 % employee performance at Trade Bureau depended by external factors.

**Table 5.10 ANOVA Test**

Anova						
Model		Sum of Squares	Def.	Mean Square	F	Sig.
1	Regression	37.946	4	9.486	91.112	0.000
	Residual	17.075	164	0.104		
	Total	55.021	168			
A Dependent Variable: employee performance						
B Predictors: (Constant), leadership style, human resources, shared goals and value, communication						

### Primary Source of data

According to table 5.10 the F value result is 91.112 at the  $\text{Sig.} = 0.000$  which is lower than the alpha value 0.05. This indicates that ERM and employee performance more correlated.

## 6.SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

### 6.1 Summary of finding

According to descriptive data analysis and interpretation result, 41% employee response for human resource, 32.8% employee response for communication, 68.6 % employee response to shared goals, value and 61% employee response to leadership style about their organization implementation and practical status are not satisfied.

According to secondary sources of data interpretation result 16.8% employees their average three term score card performance results below 60%. The correlation result indicates that it has strongly positive relationships between ERM and employee performance, but also the model summary (regression) result shows 69% employee performance at trade bureau is determine on ERM. Also regression result indicate that all independent variables change by one unit, but also the value of dependent variables change by one unit and the relation between them have directly related and dimension employee relation management has a positive effect on employee performance at trade bureau.

### 6.2 Conclusion

Lack of proper implementation of ERM creates lack of efficiency and effectiveness, lack of awareness, using effort to perform tasks, lack of creative capacity and taking responsibility problem on employee of trade bureau. In other words the relation between ERM and employee performance has a strong positive correlation, but also 69 % employee performance at trade bureau determine by the ERM and the regression coefficient's each independent variables B (beta) at significant value less than 0.05, the value x (independent variables) increase, the value of y (dependent variable) increase and the value of x decrease, but also the value of y also decrease. So this indicates that employee relation management and employee

performance directly related and dimension employee relation management has a positive effect on employee performance at trade bureau.

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