Human Resource Management and Organizational Performance in Nepalese Commercial Banks

A thesis submitted to the

Office of the Dean

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Doctor of Philosophy in Management

By

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Kathmandu, Nepal

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Recommendation

I certify that the thesis submitted by Mr. Dilliram Bhandari entitled "Human Resource Management and Organizational Performance in Nepalese Commercial Banks" has been prepared as per the format prescribed and approved by the Faculty of Management, Tribhuvan University. This thesis is the candidate's original work. I am fully satisfied with the language and the substance of this thesis.

To the best of my knowledge, the candidate has fulfilled all the requirements of Doctor of Philosophy (Ph.D) degree, Faculty of Management, Tribhuvan University.

I, therefore, recommend that the thesis be considered for final VIVA seminar of Ph.D degree.

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We have conducted the viva-voce examination of the dissertation submitted by

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And found that the dissertation to be the original work of the candidate and has been prepared as per the format by the faculty of management, Tribhuvan University. We recommend the dissertation to be accepted for the fulfillment of the requirements for the degree of Doctor of Philosophy (Ph.D.) in Management.

VIVA-VOCE Committee

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Dedication

To my

Mother **Kaushilyadevi Bhandari** and

Father **Bishwanath Bhandari**

for their inspirations and tireless support for this

Declaration

The Thesis entitled "Human Resource Management and Organizational Performance in Nepalese Commercial Banks" which is being submitted to the Office of the Dean, Faculty of Management, Tribhuvan University, Nepal for the final viva seminar for the award of the degree of Doctor of Philosophy embodies the results of a bonafide research work carried out by me under the supervision of Prof. Dr. Devraj Adhikari.

This bonafide research has not been submitted earlier in part or full in this or any other form to any university or institute, here or elsewhere, for the award of any degree.

…………………

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Sincerely

Dilliram Bhandari

Abstract

The main motivations for this study were to examine the intermediate linkages (mechanisms) through which human resource management (HRM) influences organizational performance (OP). This study is important since Nepalese organizations are not convinced that HRM would be a source of competitive advantage through enhanced organizational performance.

To address this issue, a model linking HRM with organizational performance (OP) was tested with data obtained through structured questionnaire from 252 middle and top level employees drawn from 11 commercial banks in Nepal employing random sampling methods. The descriptive as well as casual research designs were used for attainment of study objectives.

The data were collected through Likert scale ranging 1 to 7. The descriptive analysis and structural equation modeling (SEM) were used for data analysis.

The descriptive analysis revealed that the states of HRM Practices and OP as perceived by the employees of Nepalese commercial banks are in satisfactory states. The employees perceived organizational learning capability (OLC) in weak states in their respective organizations.

This study tested the configuarational approach that states HRM practices should be 'bundled' to be most effective. Eight different dimensions/practices of HRM were configured to form a single HRM construct. Likewise, it supported the Universalist approach since the universal best HR practices taken from the extant literature and used in this study were perceived satisfactory by the employees.

The outcomes of structural equation modeling suggest that HRM affects OLC and OP significantly. Further, OLC affects OP significantly. The results of this study also revealed that OLC mediates the relationship between HRM and OP partially.

The significant positive relationship between HRM and OLC implies that OLC in Nepalese commercial banks are dictated by their HRM policies and practices irrespective of its weaker state. The mediation of OLC between HRM and OP demands the organizations to focus their HRM initiatives towards building OLC for the enhancement of OP. The direct as well as indirect effect on OP by HRM shows that HRM is central in OP enhancement in Nepalese commercial banks. Irrespective of a weak state of OLC in Nepalese commercial banks, this study revealed OLC to affect OP directly as well as through HRM.

This study has made a significant contribution in understanding the relationship mechanism between HRM and OP. The support of configurational and Universalist perspective as well as mediation by OLC between HRM and OP contribute the HRM-OP literature significantly in context of Nepal.

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Chapter 1

INTRODUCTION

Background of the Study

In the recent years, the global competitive landscape has been changing rapidly. Businesses today are facing ample of challenges which arise due to globalization, use of technology, intellectual capital, unpredictable change and other volatile socio-economic environment. In response to these challenges, businesses must improve and innovate continuously to grow and sustain. Resistance to innovation may result in business collapse (Leavy, 1998).

With complexity and volatility of the business environment, companies' traditional sources of competitive advantage, such as technology, patents and economies of scale have been weakened (Ulrich & Lake, 1990) and a skilled, motivated, and flexible workforce can help develop a company's sustainable core competencies (Levine, 1995). Managers are consequently turning the human resource management (HRM) functions to help implement competitive strategy (Ulrich, 1997). In the age of neo-liberalism and market economy, HRM is emerging as strategic assets to help achieve sustained competitive advantage (Adhikari, 2005). Strategic assets are the set of difficult to trade and imitate, scarce, appropriable and specialized resources and capabilities that bestow the firm's competitive advantages (Amit and Shoemaker, 1993). A properly developed human resource (HR) system is an invisible asset (Itami, 1987) that creates value when it is so embedded in the operational systems of an organization that it enhances the firm's capabilities. A large number of researches have suggested specific HRM practices which are expected to promote inimitable attributes in human resources that can help an organization to obtain competitive advantage and enhance

its performance (Huselid, 1995; Frits & MacDuffie, 1996; Guest, 1997; Michie &Sheehan, 2001; Ahmad & Schroeder, 2003; Guest, Michie, Conway&Sheeman, 2003).

According to Drucker (1993), knowledge workers have become the most vital asset in the knowledge-based society. Jantunen (2005) states that knowledge is posited in an organization as a strategic asset which can help the firm maintain its competitive ability in a turbulent environment. He further states knowledge-based assets and organizational learning capabilities (OLC) are critical for a firm's innovation activities.

The success of organizations is built upon organizations' and individuals' speeding learning. Thus, learning in organization is the key for organizations to sustain competitive advantages. As Jude-York (1991) points out, organizations striving in today's fast changing marketplace are facing the need to have employees who know how to learn and who can quickly retool and be ready for new challenges. The idea behind the learning organization (LO) includes the notions of adaptability, flexibility, avoidance of stability traps, experimentation, rethinking means and ends, realization of human potential to learn in the service of business purposes and creation of human development (Argyris, 1999). OLC is dependent on invisible assets as knowledge (Sinkoula, Baker & Ordewier, 1997). Given the fact that those assets are embodied in people, HRM practices play a unique role in organizational learning (OL) (Jaw & Liu, 2003). The LO attracts and retains the best talent by entering into a psychological contract with its employees that motivates them to generate knowledge in return for nurturing and nourishing their professional skills (Thite, 2004).

In conjunction with the above issues, this study focuses Nepalese banking industry which has come far since the first threeforeignbankenteredin asmall and largelyuntappedeconomythreedecadesago. By now, this industry has turned to be very

competitive with liberalization of Netepalese economy. Under such situation, they may not be able to develop and grow through traditional resources like capital, technology, and economies of scale alone. In other words, innovation remains at centre for the banking industry to withstand competition and achieve sustainability in a small economy that is moving towards integrationwith the global economy.Taking the above issues into consideration, this study attempts to explore the relationship between best HRM practices and organizational performance (OP) with mediating effects ofOLC in Nepalese commercial banks. Commercial banks are selected for this study as knowledge is the most important success factor for them. Likewise, the banking environment is highly volatile and changing rapidly over the years with the change in economic, technological, legal and social factors. This study is based on middle and top level employees assuming that they have better understanding about the existence of HRM, OLC and OP in their respective organizations.

Overview of Banking Industry in Nepal

The service sector consists of the soft part of the economy or activities where people offer their knowledge and time to improve productivity, performance, potential, and sustainability. Services include attention, advice, experience, and discussion. The focus in service sector is on people interacting with people and serving the customer rather than transforming physical goods. There has been a substantial shift from the primary and secondary sectors to the service sector in Nepal over the years (Economic Survey, 2017/18).

During the last three decades, Nepal witnessed tremendous increment in number of financial institutions. Nepalese banking system has now a wide geographic reach and institutional diversification. By the end of mid March,2019, altogether 166banks and non-bank financial institutions licensed by Nepal Rastra Bank (NRB) are in operation (NRB,

2017). Out of them, 28 are "A" class commercial banks, 32 "B" class development banks, 24 "C" class finance companies, 82 "D" class micro financial institutions. By mid March,2019, the total banks branches reached 8,055. The population per branch remained 3,626.

Nepalese commercial banks have dominance in financial sector of the country.They are growing over the years in Nepal both in terms of net worth and market share.

The tremendous growth of the Nepalese banking industry has changed its face with an increasing emphasis on HRM. Commercial banks are positioning themselves as a single-stop shop of financial service provider of divergent products, including deposit products, loans, credit cards, debit cards, depository services, investment advice, bill payments, ATMs, internet banking and mobile banking and various transactional services. In addition, they have also entered into the business of selling third-party products such as mutual funds and insurance to the retail customers. They are using improved technologies to bring work efficiencies. Technology has been transforming today's banking into 24 hours a day banking, all seven days in a week and a reality in facilitating the highest service levels. Now, there is a shift from 'Brick and Mortar' branches to 'Click and Portal' banking. Besides technological advancement, they are putting greater emphasis on the management of their human resources.

Banks and Fiancial Institutions in Nepal are rapidly seeking mergers and acquisitions with other sector participants in order to meet the newly established capital requirements established by the NRB as well as withstand market competition. According to the central bank, increasing the paid-up capital of BFIs will make them stronger and ensure the system's financial stability. As stated in the Government of Nepal's Monetary Policy for 2015/16, commercial banks are required to increase paid-up capital to US$ 80 million by mid-July 2017which was US$ 20 million previously.

Nepalese commercial banks are operating in a turbulent environment. The liberalization policy of Nepalese government in the pretext of globalization and development of information technology have laid severe challenges to the banking industry in Nepal. The opening up of financial institutions with foreign investment has further provided impetus to competition among the financial institutions in Nepal. They are also having intense competition from insurance companies, non-banking financial companies, mutual funds and other organizations in the financial sector.

On April 23, 2004, Nepal became the 147th member of the World Trade Organization (WTO). WTO covers international trade in goods and services. During the accession process, Nepal has made commitment in the Financial Services sector of the General Agreements on Trade in Services for allowing the operation of foreign bank branches in wholesale bank branching beginning from January 1, 2010. This would make the banking industry in Nepal more competitive.

With limited avenues for growth in a relatively small economy of Nepal, the banking sector will face competition for innovative financial-services. They may not be able to withstand competition with the traditional sources such as capital and technology. Hence, building knowledge based assets that are valuable, rare, costly to imitate, and non-substitutable remains at core of commercial bank strategies in Nepal to facecompetition. They must improve and innovate continuously to grow and sustain by leveraging their human resource through a continuous learning and build knowledge assets for sustainability and success.

Statement of the Problem and Research Questions

A significant body of research has suggested specific HRM practices, called best HRM practices can help an organization to obtain competitive advantage and enhance its performance (Huselid, 1995; Frits & MacDuffie, 1996; Guest, 1997). These practices should be 'bundled' to be most effective (Delery & Doty, 1996). Thus, the effectiveness of any HR practice depends on its interrelationship with others.

The best HRM practices highlight the increased improvement in employee decision making and the improvement in employee motivation and commitment (Boxall & Purcell, 2003). A positive relation between these practices and competitive advantage is reported in most cases (Guest et al., 2003). The best HRM practices have the potential to bring about improved OP for all organizations (Marchinton & Wilkinson, 2003).

The literature on best HRM signifies that most of the studies are undertaken in the United States, and Europe (Boselie, Dietz, & Boon, 2005; Hoque, 1999) and Asia (Bjorkman, I. and Xiucheng, 2002; Kundu, Malhan, & Kumar, 2007; Ngo, Daniel, Chung-Ming, & Siu-yun, 1998).Few investigations are found in other parts of the world, mainly in emerging markets such as China, Slovenia, and India (Deng,Menguc& Benson,2003, Zupal & Kase,2005; Khandekar & Sharma, 2005). Further, there is a lack of understanding about the process (how and why) through which HRM creates organizational value and increases performance (Becker & Gerhart, 1996; Wright & Sherman, 1999; McMahan, Virick, &Wright, 1999; Delery & Shaw, 2001). Justifying the value of HRM to the firm has been the primary concern of most academics and practitioners. Despite the quantity and variety of these studies, little attention has focused on the concept or understanding of the mechanisms through which HRM practices influence performance (Theriou & Chatzoglou, 2008).

Therefore, the identification of the specific mechanisms that mediate between best HRM practices and OP, especially in a least developed economy with a different socio-economic context, should be considered as a central issue in this line of research.

A review of the research on HRM practices demonstrates that the approaches adopted by various academics appear to be descriptive and confined within the limits of directly linking HRM practices with performance (at various levels of the company). There appears to be only a limited amount of research attempting to explore how HRM practices essentially work and, hence, to pinpoint the processes through which these practices can lead to competitive advantage (Theriou & Chatzoglou, 2008). Researchers still do not know how HRM practices affect organizational outcomes (Delaney & Huselid, 1996). There is a lack of understanding about the process through which HRM creates organizational value and increases performance (Becker & Gerhart, 1996; Wright & Sherman, 1999). Therefore, the HRM-Performance mechanism has become an important issue in the field of HRM especially in the country like Nepal where organizations are still reluctant to invest in innovative HRM practices.

The performance of Nepalese banking sector is satisfactory in terms of its expansion as well as profitability. The satisfactory level of performance of this sector invites researchers to investigate the contribution from the side of HRM. Another crucial issue in this regard would be how far learning capability of the organizations mediates the relationship between HRM and performance.

In response to the above issues, this study examines the mediating processes between the existence and application of HRM practices and enhanced OP. A composite model, which explores the relationship between best HRM practices OLC and OP, is empirically tested in

the commercial banks in Nepal. The proposed framework and findings intend to add to the understanding of the specific processes that mediate between best HRM practices and OP in Nepalese commercial banks. The objective of conducting the study in a single industry is to control for between industry differences.

This study attempts to address the following questions.

1. What is the state of HRM practices, OLC and OP in the Nepalese commercial banks?

2. Have Nepalese commercial banks adopted the universal best practices of HRM?

3. Do the HRM practices in Nepalese commercial bank configure together to be effective?

4. Does HRM in Nepalese commercial banks contribute towards enhanced organizational performance?

5. Does HRM in Nepalese commercial banks contribute in building their learning capability?

6. Does learning capability of Nepalese commercial banks determine their performance?

7. Does learning capability of Nepalese commercial banks mediate the relationship between HRM and OP.

Research Objectives

The main objective of this study is to explore the conceptual model to investigate the relationship among HRM practices OLC and OP to determine the direct and indirect effect of HRM on OP from the perspective of OLC. Other specific objectives are;

In Nepalese commercial banks:

1. To determine the state of HRM practices, OLC and OP as perceived by the employees.

2. To identify the impact of HRM practices to OP

3. To assess the effects of HRM on OLC

4. To explore the association between OLC and OP

5. To examinethe mediating effect of OLC in HRM - OP relationship.

Significance of the Study

This study is the comprehensive study of HRM practices and OP in Nepal with mediating effects of OLC. It has both practical and theoretical significance. It advances knowledge and understanding of the mechanism to link HRM and OP in Nepalese organizations. This study would be worthy in the pretext that Nepalese organizations are still reluctant to invest in innovative HR practices and traditional practices of HRM are widely prevalent in Nepal (Adhikari,2005).

The relationship between HRM and OP is one of the under researched areas in Nepal. Nepalese organizations still do not believe that investment in HR would be a source of competitive advantage. In such a situation, this study is expected to provide an insight of the mechanism through which HRM practices enhance OP. It also aims to provide new data to test western theories and assumptions on HRM performance studies in a least developed country like Nepal.

Plan of the Study

The plan of this study is presented below.

- The *second chapter* of this study includes conceptual model and research hypotheses. It further presents theoretical perspectives in which this study is based. It furtherprovides a brief description of key constructs of this study.

- The *third chapter* of this study consists of the review of literature related to the issue and construct used in this study. This chapter highlights the conceptual as well as empirical review related to HRM practices and OP in relation to OLC. It finally ends with conclusion that highlights research gap which this study intends to fill.

- The *fourth chapter* provides the details of methodological approaches used in this study. It consists of research design/ methodological approach,research approach, population and sample, selection of organization, selection of key informants, measurement of construct, analysis approach, translation of instrument and pretesting and data collection procedures and response rate. It further highlights the reliability and validity issues pertaining to this study.

- The *fifth chapter* includes the analysis and presentation of data collected through questionnaire. This chapter is divided into two parts. The first part provides the descriptive analysis of the existence of HRM, OLC and OP in Nepalese commercial banks. The second part includes the development of the measurement model of the constructs used in this study. It also involves development of structural model to examine the relationship between HRM practices and OP with the mediating effects of OLC.

- In the *sixthand final chapter*, summary of the study work including discussion and implications of findings are included. It also entails the avenues for future studies.

Chapter 2

THEORETICAL PERSPECTIVES, RESEARCH HYPOTHESES

AND RESEARCH CONSTRUCTS

Introduction

Chapter one provided background, statement of the problem and research questions, research objectives, significance and plan of the study. This chapter provides an overview of conceptual model of the research and hypotheses developed accordingly to achieve study objectives. It also includes the theoretical ground on which this study is based. This chapter ends with the description of the key conceptsof this study.

Conceptual Modeland Research Hypotheses

OP is primarily a product of firm-specific capabilities emerging from the best HRM practices which are exercised at both strategic and operational levels of any company with one or multiple businesses. Best HRM practices are expected to enhance OP (Huselid, 1995; Delery & Doty, 1996; Pfeffer, 1998; Guest et al.,2000) by promoting inimitable attributes in HR (Barney, 1991; Pfeffer, 1998; Redman & Wilkinson, 2001). Those inimitable attributes are mainly the end outcomes of OL processes (Hislop, 2003; Jaw & Liu, 2003; Khandekar & Sharma, 2005) and are mutually self-supporting (Pemberton & Stonehouse, 2000; Loermans, 2002; Gorelick & Tantawy-Monsou, 2005). It is viewed that OL constitutes the infrastructure of the

organizational knowledge base creation(Loermans, 2002). OL leads to the production (creation) of knowledge-based assets, which, in turn lead to better OP.

Based on the above theoretical perspective, the following hypothesized model is developed (Figure 1). This model is valuable as it reflects the factor that appears to play its own unique role, as mediating processes, in the HRM practices-Performance relationship.
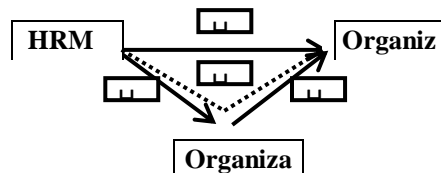
Figure 1. Hypothesized research model

On the basis of the above hypothesized model, the following hypotheses are proposed. These hypotheses are developed based on the statement of problem, theoretical perspective and subsequent literature review presented in chaptertwo.

Hypothesis 1 (H_1):   HRM practices positively influence OP.

Hypothesis 2 (H_2):   HRM practices have a positive influence on OLC processes.

Hypothesis 3 (H_3):   OLC positively influences OP.

Hypothesis 4 (H$_4$):   OLC mediates the relationship between HRM practices

and OP.

Theoretical Perspectives

Early attempts to link HRM with OP relied on the common-sense belief that improving the way people were managed inevitably led to enhanced firm performance (Ulrich, 1997), without seeking to justify this linkage in theoretical terms. However, sufficient work has now been carried out for Ulrich (1997) to conclude: 'evidence now exists to show that investment in HR practices impacts business results, both financial results and the market value of firms.'

In the wake of the different research projects, it was argued that the subject was no longer atheoretical, and that a variety of different theories, including general systems theory, role behaviour theory, institutional theory, resource dependence theory, human capital theory, transaction cost economics, agency theory and the resource based theory of the firm had been used to explain the HRM performance linkage (Jackson & Schuler, 1995). This study is mainly based on the following theories.

Human capital theory. According to human capital theory, people possess knowledge, skills and abilities (KSAs) that are of economic value to the firm. Hence, firm investments to increase these, for example, through training programs, are only justified if they produce future returns to the firm in the form of increased productivity. Therefore, the higher the potential for employees to contribute to the firm, the more

likely it is that the firm will invest in HRM activities specifically aimed at increasing

individual productivity and overall firm performance (Youndt, Snell, Dean, & Lepak;

1996).

Resourcebased theory. The resource-based view (Penrose, 1959) states

employees become the real resources for the organization if they are to a high degree:

valuable and scarce, inimitable, non-substitutable and appropriable. Human resource

advantage can be traced to better people in organizations with better process (Boxall &

Purcell, 2003). According to them, firms have the possibility of generating human

capital advantage through recruiting and retaining outstanding people: through

"capturing" a stock of exceptional human talent, latent with powerful forms of "tacit"

knowledge. Organizational process advantage, on the other hand, may be understood as

a function of historically evolved, socially complex, causally ambiguous processes, such

as team-based learning and cross-functional cooperation - processes which are very

difficult to imitate.

People are evaluated through their competencies, knowledge, know-how,

adaptability, network connections and experiences (O'Donnell, O'Regan, Coates, B.,

Kennedy, T., Keary, B. &Berkery, G. 2003). Among these components, knowledge has

become most accentuated. The basic economic resource is no longer capital, natural

resources or labour, but knowledge (Drucker, 1993). What really distinguishes work

results from each other is the share of embedded knowledge (Burton, 1999). In their

study of the Irish ICT sector O'Donnell et al. (2003) found that approximately two

thirds of organizational value is perceived to be composed of intellectual capital and that over half of this capital stems directly from people working, thinking and communicating.

There are two points to remember: first, HRM does not manage people as such, but their personal and interpersonal (inter-group, organizational) characteristics, which could be considered resources and create organizational advantages; and second, human resources are not only brought into the organization by means of recruitment and selection but also developed within the organization by investment in their personal capacities and deployed by nurturing of interpersonal and inter-group relations.

Whilst some commentators argue that the practicesused to manage human resources are a potential source of sustained competitive advantage (Becker & Gerhart, 1996; Schuler & MacMillan, 1984), others argue that it is the human resources themselvesthat meet the four resource criteria (Wright, Mcmahan, &Mcwilliams, 1994): 'it is through the human capital pool and employee behaviour that human resources can constitute a sustained competitive advantage.' HR practices, they argue, are possible to imitate across organizations, although their effect may vary across contexts.

The essential argument is that individual's cognitive ability allows them to devise the most effective strategy for performing required tasks, thereby increasing productivity. Therefore, in a static environment, a firm with greater human capital resources in terms of cognitive ability should have a productive advantage relative to other firms (Wright et al., 1994). In more dynamic and complex environments, they

argue that the human capital pool can improve firm performance through its flexibility. The important role played by HRM in improving firm performance is through attracting, identifying and retaining high quality employees, and then getting them to behave in a way that supports the organization: 'thus, HR practices moderate the relationship between the human capital pool and firm effectiveness, such that the pool is effective only when combined with the right practices that capitalize on the advantage through eliciting employee behaviour'.

Becker and Gerhart (1996) present the opposite view. According to them, it is not the human resource *pool* that is a source of competitive advantage, but the human resource system*:* individual policies or practices have little value in themselves, but in combination can create a synergistic effect (Barney, 1995).

One potential problem with the resource based view of the firm is its emphasis on the importance of synergy and fit between the various elements of the HR system. As Becker and Gerhart (1996) argue: 'one of the elements of a high performance HR system, under changing circumstances, must be flexibility'. This raises the question of how compatible the systems approach of the resource-based view is with flexibility. However, some interpretations of the resource-based perspective do also allow for the integration of the notions of fit and flexibility. Wright and Snell (1998), for example, introduce the idea of 'sustainable fit', where HR practices are linked to the flexible organization. 'Fit' itself is viewed as a snapshot in time with regard to how firms achieve internal fit and environmental fit; flexibility, on the other hand, is

conceptualized as an organizational characteristic and the two can, therefore, co-exist. These arguments present a strong theoretical basis for the linkage between HRM and performance, but are still founded on the assumption that simply having the appropriate HRM policies inevitably means that they will be effectively implemented and will produce the intended results in terms of individual behaviour and, at one remove, firm performance.

Universalistic perspective. The universalistic perspective of HRM alleges that certain HR practices are always better than others and all organizations should adopt such practices on every occasion. The universalist, one-style-fits-all view, towards which Huselid (1995) was drawn by his results The latter view appears to have gained the ascendancy, though with the modification that a combination of broad types of practice in an overall 'architecture' of policies provides room for different detailed implementation in different settings (Becker and Huselid 1998).

Configurational perspective. According to configurational perspective, HR practices should be 'bundled' to be most effective (Delery & Doty, 1996). Thus, the effectiveness of any HR practice depends on its interrelationship with others; they do not stand on their own. Wright et al. (1994) suggest that participative management is a key ingredient in the bundle. However, the view that it is possible to devise a universalistic 'bundle' of best practice HRM is contested through the debate on *idiosyncratic contingency.* Based on the dual notions of path dependency, which suggests that strategy is an emergent concept for organizations, and causal ambiguity,

which highlights the numerous and intertwining connections between factors that make each organization unique, the idiosyncratic contingency argument suggests that the appropriate mix of HR policies can never be copied from one context to another (Mueller 1996; Purcell, 1999). Successful firms are always successful in their own way, based on a unique mix of formal and informal factors which is inimitable by other organizations.

Description of Key Constructs

Human Resource Management Practices

When facing technological, economic, and demographic changes within a competitive environment, organizations must consider human resources as a valuable asset and face pressure to use HRM more effectively (Tichy, Fombrun& Deyanna, 1982; Pfeffer, 1994; Delery & Doty, 1996). Tichy et al. (1982) define HRM as the process by which individuals are recruited into the organization to perform a specific task such as performance must be monitored, and rewards must be given to keep individuals productive. According to them, there are four dimensions of HRM, including selection, appraisal, rewards, and development. Schuler and Jackson (1987) consider human planning choices, staffing choices, appraisal choices, compensation choices, and training and development as the five major dimensions linked with competitive strategies. Gupt and Singhal (1993) conceptualize HRM practices along four dimensions, including human resource planning, performance appraisal, reward systems and career management. Gomez-Mejia, BalkinandCardy (1998) classify, in

detail, the functions of HRM into nine dimensions which include workflow, staffing, lay-off management, performance evaluation, training and development, reward management, relationships among employees, empowerment and internationalization. Lin and Kuo (2007) classify HRM into five factors including appraisal, staffing, training and development, work flow, as well as rewards and compensation. Theriou and Chatzoglou (2008) used employment security, selective hiring, compensation and incentives contingent on performance, extensive training, employee involvement and internal communication arrangement, internal career opportunities, broadly defined job descriptions and harmonization as the components of high performing work practices. Likewise, Bhandari (2008) adopted recruitment and selection, teamwork, workers' involvement in problem solving, information sharing, performance based promotion and reward, performance based pay and recognition, team based job design and job security as the components of high performing work practices.Pandey (2014) used selective hiring, training and development, compensation policy, decentralization and self managed teams, information sharing and job security as the human resource practices that are likely to enhance OP.

Certain HRM practices are alleged to support better firm performances (Jackson & Schuler, 1995; Huselid, 1995).Rather than focusing on individual HR practice, scholars of strategic human resource management (SHRM) have turned their attention to a bundle of mutually reinforcing and synergistic HR practices that facilitate employee commitment and involvement (MacDuffie, 1995). Variously called "high involvement" (Lawler, 1992), "high commitment" (Arthur, 1994), "high performance" (Huselid,

1995), or "sophisticated" (Koch & McGrath, 1996) work practices, a common theme in this literature is an emphasis on utilizing a system of management practices that provide employees with skills, information, motivation, and latitude, resulting in a work force that becomes a source of competitive advantage (Huselid, 1995; Guthrie, 2001).The term "best HRPs" is used to refer to a set of HRM practices that can enhance firm performance. More and more research suggests that a company's adoption of the best HRPs can have an economically and statistically significant impact on employee turnover, productivity, or corporate financial outcomes (Arthur, 1994; Ichniowski, Kochan, Levine, Olson, &Strauss; 1997).

Best HRM practices are followed by those organizations that employ a fundamentally different approach to managing employees than the traditional piecemeal approach.

Table1

Summary of the HRM Practices Used by Different Researchers

Researchers	HRM Practices
Tichy et al. (1982)	Selection, appraisal, rewards, and development
Schuler and Jackson (1987)	Human planning choices, staffing choices, appraisal choices, compensation choices, and training and development
Gupt and Singhal (1993)	Human resource planning, performance appraisal, reward systems and career management.
Gomez-Mejia et al. (1998)	Workflow, staffing, lay-off management, performance evaluation, training and development, reward management, relationships among employees, empowerment and internationalization.
Lin and Kuo (2007)	Appraisal, staffing, training and development, work flow, rewards and compensation.
Theriou and Chatzoglou (2008)	Employment security, selective hiring, compensation and incentives contingent on performance, extensive training, employee involvement and internal communication arrangement, internal career opportunities, broadly defined job descriptions and harmonization.
Bhandari (2008)	Recruitment and selection, teamwork, workers' involvement in problem solving, information sharing, performance based promotion and reward, performance based pay and recognition, team based job design and job security.
Pandey (2014)	Selective hiring, training and development, compensation policy, decentralization and self managed teams, information sharing and job security.

In relation to the above literature, this study has adopted the system perspective of HRM rather than individual HRM practices in isolation.Eight different factors/dimensions including selective hiring, teamwork, workers' involvement in problem solving, compensation and promotion based on performance, internal career opportunity, training and development, job security and broadly defined job descriptions are used to measure HRM in Nepalese commercial banks.

Organizational Learning Capability

The learning organization (LO) is one that adopts specific strategies, mechanisms and practices that encourage its members to learn continuously so that they can adapt to the changing business environment (Senge, 1990; Mills & Friesen, 1992). Goh (1998) defined these strategies, mechanisms and practices as the "learning capability" of the organization. Ulrich, Jick, & Von (1993) also used the term "learning capability" to refer to "building and diffusing learning capability", while DiBella, Nevis&Gould (1996) refer to them as "developing OLC".

Learning in organizations is defined as a process that increases the actionable knowledge of the organization and by which the members of the organization can conduct activities for interpretation, comprehension and assimilation of tacit and explicit information (Ruiz-Mercader, Merono-Cerdan&Sabater-Sanchez; 2006). OL is concerned with developing knowledge related to the relationships among actions, consequences and the environment. In other words, the goal of OL is knowledge development (Duncan & Weiss, 1979). OL is a continuous process of knowledge

creation, acquisition and transformation (Neilson, 1997). Kang, Morris, andSnell (2007) demonstrate that firms need to not only develop strategies based on core knowledge and capabilities but also must work towards acquiring, transferring, and integrating new knowledge, facilitating the process of OL in order to create the valuable human capital required to adapt to dynamic environments. OL has been considered as routine-based, history-dependent, and target-oriented (Levitt & March, 1988). Ju, Li&Lee (2006) also indicate that OL is difficult to achieve, especially for the sharing of tacit knowledge, and the key elements to enable learning are channels of communication.

Although the LO literature is vast and takes various forms, as Argyris (1999) points out, the central idea behind the LO is broadly shared. The idea includes the notions of adaptability, flexibility, avoidance of stability traps, experimentation, rethinking means and ends, realization of human potential to learn in the service of business purposes and creation of human development.

Many researchers have proposed some distinct measurement dimensions for OL, such as the work of Huber (1991) and Pace, Regan, Miller, andDunn (1998), based on Levitt and March's (1988) research to develop organizational learning profiles. Hanvanich, Sivakumar, Tomas &Hult (2006) focused on learning orientation and organizational memory to provide a complete view of firms' learning characteristics.

Learning organization is represented by seven dimensions developed by Watkins and Marsick (1993).The dimensions are continuous learning, dialogue and inquiry, team learning, embedded system, system connections, empowerment and leadership.

Huber (1991) claims the learning in organizational must go through knowledge acquisition, information distribution, information interpretation, and information memory processes. Like a living system, organizations can learn through knowledge acquisition, information distribution and interpretation as well as organizational memory (Amy, 2005). The process of OL may contain information acquisition, information interpretation and behavioral and cognitive changes.

Theriou and Chatzoglou (2008) adopted four constructs namely commitment to learning and empowerment, systems perspective and clarity of purpose and mission, openness and experimentation and organizational memory to measure OLC.

Lin and Kuo (2007) classified OLC into four factors: information-sharing patterns, inquiry climate, learning practices and achievement mindset. Ho (2008)classified organizational learning as learning practices, information sharing patterns, inquiry climate and achievement mindset. Shakya (2012) used collective learning, culture and metaphor, process and system, continuous improvement, total quality management and knowledge management as the components of learning.

Table2

Summary of Organizational Learning Capability Used by Different Researchers

Researchers	OLCDimensions
Huber (1991)	Knowledge acquisition, information distribution, information interpretation, and information memory processes
Neilson (1997)	Knowledge creation, acquisition and transformation.
Amy (2005)	Knowledge acquisition, information distribution and interpretation as well as organizational memory
Lin and Kuo (2007)	Information-sharing patterns, inquiry climate, learning practices and achievement mindset
Theriou and Chatzoglou (2008)	Commitment to learning and empowerment, systems perspective and clarity of purpose and mission, openness and experimentation and organizational memory
Ho (2008)	Learning practices, information sharing patterns, inquiry climate and achievement mindset
Shakya (2012)	Collective learning, culture and metaphor, process and system, continuous improvement, total quality management and knowledge management

Based on the above literature, OLC has been classified into three dimensions for this study. They are commitment to learning and empowerment, systems perspective and clarity of purpose and mission and openness and experimentation.

Organizational Performance

Different studies have applied different ways to measure OP (Wong & Wong, 2007; Prajogo, Laosirihongthong, Sohal, &Boon-itt, 2007; Moneva, Rivera-Lirio,

&Mun ˜oz-Torres,2007). OP is an indicator which can measure how well an enterprise achieves its own objectives (Venkatraman & Ramanujam, 1986). Steer (1975) reviewed 17 models of organizational effectiveness and integrated the contents of these various studies concerning the measurement of OP. They generalized the results into three dimensions: financial performance, business performance and organization effectiveness. Delaney and Huselid (1996) used two factors for measuring market performance: market share and profit ratio. Huselid and Rau (1997) proposed a more complete set of dimensions for human resource performance. Hanvanich et al. (2006) have developed an OP measurement model integrating overall firm performance and innovativeness to assess overall OP. Ho (2008) classified OP as financial performance and market performance. Theriou and Chatzoglou (2008) used three constructs namely market performance, corporate profitability and organizational commitment. Lin and Kuo (2007) classified OP as market performance and human resource performance.

This study has adopted subjective market performance measures such as net profit, market share, and market growth since there is no meaningful slippage across performance dimensions. Combs, Liu, Hall & Ketchen (2006) states that researchers can select among a number of alternatives valid OP measures without negatively affecting the size of the effects they are likely to find. Many researchers have used subjective measures of market performance (Liao, 2006;Takeuchi, Wakabayashi & Chen, 2003). Wall et al., (2004) found that subjective measures (self reports) compared favourably with 'objective' measures in terms of their convergent, discriminant, and construct validities. Objective market performance cannot be translated into a

meaningful metric, such as the dollar increases associated with one-standard-deviation

increase in the use of HPWS (Huselid, 1995).

Table3

Summary of the Organizational Performance Used by Different Researchers

Researchers	OP Measures
Arthur (1994), Huselid (1995)	Employee turnover
Hoque (1999), Arthur (1994), Huselid (1995), Youndt et al. (1996)	Employee productivity, Quality of product
Huselid (1995), Delery and Doty (1996)	Profit
Venkatraman and Ramanujam (1986), Banerjee and Kane (1996)	Financial performance, business performance and organization effectiveness.
Sivasubramanyam and Venkataratnam (1998)	Return on investment
Delaney and Huselid (1996)	Market share and profit ratio.
Guest (1997)	HR Outcomes
Becker and Huselid (1998)	Market Value
Lin and Kuo (2007)	Market performance and human resource performance.
Ho (2008)	Financial performance and market performance
Theriou and Chatzoglou (2008)	Market performance, corporate profitability and organizational commitment

Bhandari (2008)	Market performance- operating income, profitability, growth in operating income, growth in net profit
	Operatioal performance- Quality of products, development of products, customer satisfaction, relation between management and employees.
	HR outcomes-HR attractiveness and employee commitment
Pandey (2014)	Employee satisfaction, employee commitment, employee turnover, productivity.

Based on the above literature, OP in this study has been classified into two factors including financial and non-financial performance. Employee commitment is taken as the non-financial measures for this study.

Conclusion

This chapter presented and discussed conceptual model and research hypotheses. It further discussed the theoretical perspectives: human capital theory, resource based theory, universalistic perspective and configurational perspective that underpin the relationship between HRM and OP. Additionally, the key constructs - HRM practices,OLC and OP were also discussed.

Chapter 3

LITERATURE REVIEW

Introduction

Chapter two providedconceptual model and research hypotheses along with description of key conceptsof this study. This chapter highlights and reviews the literature related to the constructs used in this study. The theoretical and empirical aspects are reviewed in this chapter to highlight the methodological and conceptual framework of HRM practices, OLC and OP as well as their interrelationship.

HRM Practices and Organizational Performance

Underpinned by the view that bundles or systems of HR practices are more influential than individual practices in isolation (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Youndt et al., 1996), a significant body of research has suggested specific HRM practices that can improve employee motivation and commitment. These practices are expected to promote such inimitable attributes in human resources that can help an organization to obtain a competitive advantage and enhance its performance (Huselid, 1995; MacDuffie, 1995; Delaney & Huselid, 1996; Frits & MacDuffie, 1996; Guest, 1997; Hoque, 1999; Michie & Sheehan, 2001; Ahmad & Schroeder, 2003; Guestet al., 2003; Theriou& Chatzoglou, 2008).These practices that lead to superior performance were given various names by different authors: "best HRM practices"

(Pfeffer, 1994), "high performance work systems or practices" (Appelbaum & Batt, 1994; Appelbaum,Bailey, Berg, &Kallebergt,2000), "high-involvement practices" (Lawler, 1986), "high commitment practices" (Wood, 1996) and finally, "higher productivity and product quality practices" (Ichniowski et al., 1996). Irrespective of the names given to these HR practices, positive relation with competitive advantage is reported in most of the cases (Guest et al., 2003). The basic idea around best HRM practices is that a particular set of those practices has the potential to bring about improved OP for all organisations (Marchinton and Wilkinson, 2003), and therefore all firms should identify and implement best practice HRM in their effort to improve their performance.

A meta-analysis by Combs, Liu, Hall & Ketchen (2006) on HRM - organizational performance relationship based on 92 studies conducted between 1990 and 2005 found;

- HPWS affects organizational performance.

- The hypothesis that systems of HR practices have a stronger effect on an organization's performance than individual HR practices was suported.

- HPWS-organizational performance relationship is not affected by researchers' choice of organizational performance measures.

- HPWS-performance enhancing effects are greater among manufacturing than service organizations.

- HPWS in a given organization depends on the type of work being conducted, and that future research should investigate HPWS systems developed specifically for services, and that it might take different HPWS to bring out the performance potential of service employees due to unique characteristics of service works.

The resource-based view (RBV) of the firm (Weber, Liou, Chen, &Nunamaker, 1990; Barney, 1991),advanced the arguments of the best HRM practices-performance link, by noting that tacit knowledge, infused in firm specific human resources, is hard to imitate because of social complexity (Barney, 1991; Dierickx & Cool, 1989), path dependency (Porter,1980; Lipman & Rumelt, 1982; Dierickx & Cool, 1989; Barney, 1991) and causal ambiguity (Reed & DeFillippi, 1990; Barney, 1991). As Spender and Grant (1996) point out, tacit knowledge is embodied in individual and organizational practices and cannot be readily articulated. HRM practices proposed by various authors (Delery & Doty,1996; Youndt, 1998) are expected to promote such inimitable attributes in human resources and lead an organization towards competitive advantage. For example,Huselid (1995) surveyed 968 firms in many industries and found that companies that used systems of high performance work practices resulted in less turnover and increase in both productivity and corporate financial performance. MacDuffie (1995) examined the relationship between ''bundles'' of interrelated and internally consistent human resource practices and productivity and quality in 62 auto assembly plants throughout the world and found strong, statistically significant evidence demonstrating that innovative bundles of HR practices are positively related to both

productivity andquality. Ichniowski et al. (1997) found that systems of innovative HRM practices have a statistically significant large and positive association with workers' productivity, while changes in individual HRM practices have little or no effect. Boselie and Dietz (2003) reviewed published articles focusing on the high performance work practices/performance link and found that practices related to employee development and training, participation and empowerment, information sharing and compensation systems are most often mentioned as part of the high involvement or high performance work practices or systems approach. In her study of telecommunication call centres, Batt (2002) states that high involvement work systems generally include `relatively high skill requirements; work designed so that employees have discretion and opportunity to use their skills in collaboration with other workers; and an incentive structure that enhances motivation and commitment.

Very few researches have been carried out in the field of HRM in Nepal as Gautam (2014) states that there is dearth of Nepalese studies in this field. However, some Nepalese studies are reported.

In an early research by Upadhyaya (1981), it was found that personnel department's functions to be limited to the functions of employment, management of fringe benefits and maintenance of employees' records in public enterprises in Nepal.

Adhikari (1992) states the prevalent character of today's technology and the current level of education limit the extent of the requirements needed by the workers in shop floor. In another study (2003), he found no significant changes at firm level HR

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policies even after the changes in the economic and political priorities in the last decade in Nepal.

The HR practices in Nepalese firms differ widely depending on state intervention and the openness to foreign investment (Adhikari and Mueller, 2001). In a Nepalese study, Bhandari (2008) explored direct effects of HRM practices on the intervening variables as competence, teamwork, and organizational commitment.

In a study of personnel administration of government, Tiwari (1984) found a weak state of personnel administration. He found that the nature of personnel administration is related to socio-political factors. Shrestha (1991) reported that personnel management in private industrial enterprises in Nepal has not yet acquired professional competence. Through a case analysis of two private sector industries, Agrawal (1983) reveals that management must be proactive in terms of HRM to meet new challenges. Joshi (1975) found that employee development has been an area of least priority in Nepal's public enterprises.Shrestha (2003) concluded that job security attracts employees in public banks and reputation and facilities attract towards joint venture banks.

Very few researches have been carried out showing the relationsip between HRM and OP in Nepal. Bhandari (2008) found that HRM practices such as recruitment and selection, teamwork, workers' involvement in problem solving, information sharing, performance based promotion and reward, performance based pay and recognition, team based job design, training and development and job security have

significant effects on OP in Nepalese financial sector. Nepalese financial institutions have started giving due priority to HR practices considering the context of the market and organization that has resulted a better performance of the financial sector (Bhandari, 2008). He further explored that HR practices have not yet been integrated between context and performance to establish high performing work practices in full fledge. HR practices have direct effects on the intervening variables as competence, teamwork, organizational commitment (Bhandari, 2008). Rai (2009) explored that the relationship between HR practices and organizational competitiveness were positively correlated in Nepalese commercial banks. Pandey (2014) reported that four HR practices namely training and development, decentralization and self managed team, information sharing and job security are to be significant with OP in Nepalese joint venture banks and other financial institutions. Nepalese studies on HRM-Performance relationship tend to show such relationship on individual HR practice basis, not on system basis.

No Nepalese study has been reported so far that links HR and OP with the mediating effects of OLC or any other constructs.

Based on Combs et al., (2006) and other studies, this study focuses on the systems perspective of HPWS rather than individual HR practices in isolation.

Table4

Summary of Research on HRM Practices and Firm Performance

Author	HR Practices measured	How practice was measured	Dependent variable	Major findings
Huselid (1995)	Thirteen practices measured as two bundles- (a) employee skills and organizational structures (quality management circles, teams) and (b) employee motivation (performance appraisals).	Firm level data collected on survey sent to the senior level human resourceprofessional in each firm.	Turnover, Productivity, Corporate financialPerf ormance	Investments in HRM practices are associated with lower employee turnover and with greater productivity and corporate financial performance.
Nishii, Lepak, & Schneider (2008)	Five HR attribution items listed for each of five HR practices: staffing, training, benefits pay, and scheduling.	Department level. Surveydata collected fromemployees within eachdepartment, managers,and customers of each department.	Customer satisfaction with people.	The attribution that HR practices aremotivated by the organization'sconcern for enhancing servicequality and employee wellbeingwas positively related to employee attitudes, the attributions focused onreducing costs and exploitingemployees was negativelyassociated with attitudes and the external attributions involving union compliance was not significantly associated with attitudes. In turn,unit-level attitudes were significantly associated with thetwo dimensions of OCBs, and OCB helping was significantly relatedto customer satisfaction.

Gong, Law, Chang, & Xin, (2009)	Eight practices classified into the maintenance oriented HR subsystem and performance oriented HR subsystem.	Firm-level data collected from two sources (cities). First on a survey sent to the president/vice presidents, HR managers and middle level managers from each firm. Second on survey sent to the president/vicepresident, HR managers and middle level managers from each firm.	Profit, Total salesgrowth, Marketshare, Total asset growth, After-taxreturn on total assets, After-taxreturn on total sales, Labour productivity.	Found support for the 2-factor model. Results indicate that theperformance oriented HRsubsystems had a positiverelationship with firm performanceand that the relationship was mediated by middle managers' affective commitment. Themaintenance oriented HRsubsystems had a positive relationship with middle managers'continuance commitment butnot with their affective commitment and firm performance
Combs et al.(2006)	Thirteen practices classified as HPWP:incentive compensation, training, compensation level participation, selectivity, internal promotion, HR planning, Flexible work, performance appraisal, grievance procedures, teams, information sharing, and employment security.	The 'study' is the unit ofanalysis in meta-analysis (Hunter & Schmidt, 1990), within study correlations were averaged to derive the overall relationships for each study.	Operational performance, Accounting returns, growth, market returns, Financial performance.	Find that HPWS affect OP.Second, find support for thehypothesis that systems of HPWPshave stronger effects than individual HPWPs. Third, contrary to SHRM theory, the relationship appears invariant to the choice of OP measure. Fourth, the relationship is stronger when researchers examine systems of HPWPs among manufacturers.

Takeuchi, Chen, & Lepak, (2009)	Thirteen practices measured as two bundles- (a) employee skills and organizational structures (quality management circle, teams) and (b) employee motivation (performance appraisals).	Establishment -level survey of managers HR practices in each establishment	Employee job satisfaction and Employee affective commitment.	Results from cross level analysis indicated that the relationships between establishment-level HPWS and employee job satisfaction and affective commitment were fully mediated by establishment - level concern for employees' climate.
Kehoe & Wright (2010)	Fifteen items compiled from SHRM literature (HR practices) aimed at improving employees' KSAs and motivation and opportunity to perform : selective staffing (formal selection test, structured employment interviews); employee participation (formal participation processes, fair complaint procedures, employee autonomy in job design); performance-based compensation (bonuses based on group, and individual performance outcomes, merit-based pay raises); Formal performance evaluation; regular information sharing communication; merit-based promotion opportunities; extensive formal training.	HR Directors administered surveys to a randomly selected group of 20% or more of the employees in their unit in a large foodservice organization.	Organizational Citizenship Behaviour (OCB), Intent to remain with the organization, Absenteeism.	Employees' perceptions of high performance HR practice use at the job group level positively related to all dependent variables and that affective organizational commitment partially mediated the relationship between HR practice perceptions and OCB and fully mediated the relationship between HR practice perceptions and intent to remain with the organization.

Chuang &Liao (2010)	Thirty five items including six HR practices: staffing, training, involvement/participation, performance appraisal, compensation/rewards, and caring.	Business-unit level datacollected on survey sent tomanagers and employees ofmultiple service storesover two time periods.	Market performance: marketing, Sales growth, Profitability, Market share.	They find that managers' reports of HPWS were positively related to employees' reports of the store's concern for customers and concern for employees. Second, that the climate of concern for customers mediated the relationship between HPWS and employee service performance, whereas the climate of concern for employees mediated the relationship between HPWS and employee helping behaviour provided to co-workers. Further, that both types of employee behaviours contribute to the business unit's market performance in terms of market share, sales growth, and profitability.
Snape & Redman (2010)	Ten multiple HR practices that address therecruitment, development, motivation,and involvement of employees.	Workplace level datacollected on survey sent toHR managers. HR managers provide separateratings for managers andprofessionals as one groupand for all other employees.	Compliance, Altruism, In-role behaviour	Findings suggest that there is a positive impact of HRM practices on organizational citizenship behaviour, through an effect onperceived job influence/discretion

Sun, Aryee, & Law (2007)	HR practices: selective staffing, extensive training, internal mobility, employment security, clear job description, result-oriented appraisal, incentive reward, participation.	Multilevel survey of (a) human resource managers, (b) supervisors of frontlinesubordinates, and (c) customer contact employees from hotelslocated in eastern coastal province of China.	Turnover. Productivity.	Studies revealed High-performance human resource practices to berelated to service oriented OCB andto the performance indicators of turnover and productivity. Service-oriented OCB was related to turnover, productivity, and unemployment.
Liao, Toya, Lepak, & Hong (2009)	HR practices for service quality: extensive service training, information sharing, self-management service teams and participation, compensation contingenton service quality, job design for quality work, service-quality based performance appraisal, internal service, selective hiring, employment security, and reduced status differentiation.	Multilevel survey of (a) based on prior literature, But especially the prescription of Schneideret al., (1998), and Batt,(2002), and Delery & Doty, (1996), and frameworksof HPWS by Pfeffer, (1998), and Zacharatos.	Employee overall service performance. Customer satisfaction.	Findings indicate that significant differences between management and employee perspectives ofHPWS. Employee perspectives ofHPWS was positively related toindividual general serviceperformance via the mediation ofemployee human capital and POS,and was positively related to individual knowledge intensive service performance via the mediation of employee human capital and psychological empowerment. Management perspective of HPWS was related to human capital and both types of service performance. Overall knowledge intensive service performance was related to overall customer satisfaction with the branch's service.

Human Resource Management and Organizational Learning Capability

The LO is conceptualized as the creation of the necessary infrastructure to accommodate the acquisition and use of knowledge, while the processes towards this end are described as OL capability (OLC). This knowledge may be the prerequisite for the creation of sustainable competitive (and hence, corporate) advantage.

OLC is dependent on invisible assets as knowledge (Sinkoula et al., 1997). The invisible assets are embodied in people; hence HRM practices play a unique role in OL (Jaw & Liu, 2003). The LO attracts and retains the best talent by entering into a psychological contract with its employees that motivates them to generate knowledge in return for nurturing and nourishing their professional skills (Thite, 2004). Competitive advantage will ensue for an organization that develops HR policies that promote continuous learning, teamwork, participation and flexibility; attributes that clearly exist within the best HRM practice spectrum (Dertouzos, Lester & Solow, 1989; Pettigrew & Whipp, 1991). The more specific HRM practices exist in an organization, the stronger the learning capability of that organization (Khandekar & Sharma,2005). The HRM practices that an organization uses have the potential to influence people's attitudes towards learning.

According to Hamel and Prahalad (1989) competitive advantage is obtained if an organization can obtain and develop human resources which enable it to learn faster and apply its learning more effectively than its competitors.OLC can be strongly shaped

or manipulated by those HRM practices that are usually described as "best HRM practices".

Many studies have indicated that HRM plays a critical role in facilitating OL (Kang et al., 2007; Minbaeva, 2005; Jaw & Liu, 2003). Selective hiring, strategic training and employee participation in decision-making positively influence OL (Lopez, Peon& Ordas, 2006). Hayton (2003) also finds that HRM practices which promote employee discretionary behavior, knowledge-sharing and OL are found to be positively associated with entrepreneurial performance.

The philosophy of the principles of HRM during the last decades has led to the acceptance of the idea that people add to the competitive edge. According to Garvin (1993), this can be accomplished by building a LO. More academics add to this view (Mills & Friesen, 1992; Drucker, 1993; Bennett, 1998; Reynolds & Ablett, 1998; Lennon & Wollin, 2001; Marchinton & Wilkinson, 2003; Jaw & Liu, 2003; Khandekar & Sharma, 2005).

Organizations learn through their individual members (Kim, 1993), thus OL seems to be tied to individual level behaviours (Nonaka, 1994), such as experimenting with new approaches and processes (Garvin, 1993). Therefore, learning strategies rely heavily on employee involvement in everyday decisions and experimentation. The use of teams and other forms of employee involvement are typical means of emphasizing a LO. Moreover, LO attract and retain best talent by entering into a psychological contract with their employees that motivates them to generate and share knowledge in

return for nurturing and nourishing their professional skills (Thite, 2004). According to Lado and Wilson (1994), since HRM primarily takes the task of dealing with employees and their working environment, it is fair to say that HRM plays an important role in enhancing employees' learning behaviour. For Dertouzos et al.(1989) and Pettigrew and Whipp (1991), competitive advantage will occur to organization, which develops HR policies that promote continuous learning, teamwork, participation and flexibility; attributes that clearly exist within the best HRM practice spectrum. Khandekar and Sharma (2005) point out in their study, the more specific HRM practices, like strategic HR planning, recruitment and selection and improved reward systems, exist in the organizations, the stronger the learning capability of the organization. The best HRM practices used by an organization have the potential to influence people's attitude towards learning. As it is demonstrated, OL capability is strongly "bonded" on human factors which can, as already shown, be strongly shaped or manipulated by those HRM practices that are usually described as "best HRM practices". Khandekar and Sharma (2005) point out if organizations are seeking competitive advantage through HR, they should design HR systems in ways that allow them to leverage and exploit knowledge-based resources and enable employees to use the knowledge for competitive edge. According to Garcia-Morales, Llorens-Montes, &Verdu-Jover (2006), it is necessary to strengthen different strategic HRM capabilities in order to overcome obstacles within an organization and facilitate OL in order to ultimately enhance OP.

Regarding the relationship between HRM and OLC, no Nepalese study has been reported so far.

Table5

Summary of the Study Linking HRM Practices and Organizational Learning Capability

Contributions	Key themes
Jaw and Liu (2003)	Invisible assets as knowledge, are embodied in people, therefore policies regarding HR are critical to OL.
Khandekar and Sharma (2005)	If organizations are seeking competitive advantage through HR, they should design HR systems in ways that allow it to leverage and exploit knowledge-based resources and enable employees to use the knowledge for competitive edge.
Nonaka (1994)	OL seems to be tied to individual level behaviours.
Pettigrew and Whipp (1991)	Competitive advantage will occur to organization, which develops HR policies that promote continuous learning.
Lado and Wilson (1994)	HRM plays an important role in enhancing employees' learning behaviour.

Organizational Learning Capability and Organizational Performance

Organizational learning prioritizes the creation and acquisition of new knowledge,and emphasizes the role of people in the creation and utilization of that knowledge(Denton, 1998). Organizational learning presents an important route toperformance, success and competitive advantage for the organizations (Dunphy andGriffths, 1998). According to Drucker (1993) "value is created by productivity andinnovation" and organizations must acquire knowledge as a source of sustainablecompetitive advantage.

The relationship between organizational learning and business results isbuilt on a rather simple premise that better deployment and use of HR should correlatewith

higher business performance (Ulrich et al., 1993). In a research, Karami (2002)argued, unlike conventional assets, strategic HR, as an intellectual or organizationalcapital, is largely invisible and, can not appear on the firm's balance sheet (Tomer,1987; Analoui, 1998).

Organizational learning establishes a link between the organization and the environment that encourages proactive rather than reactive behavior. The knowledge resulting from learning implies an improvement in response capacity through a broader understanding of the environment (Dodgson, 1993; Sinkula, 1994).

The organizational learning process helps people discover why problems are seen in a one-dimensional framework, posing questions of the current systems, and challenging and questioning paradoxes as they occur (Murray and Donegan, 2003). On the other hand, the wish to learn and to know more leads to the establishment of relationships with customers, suppliers and other market agents so that favorable attitudes towards collaboration and conflict solution are generated (Webster, 1992). Finally, because of their inherent flexibility, learning-oriented organizations are able to quickly reconfigure their architecture and reallocate their resources to focus on emergent opportunities or threats (Slater & Narver, 1995).

Organizational learning is a basis for gaining a sustainable competitive advantage and a key variable in the enhancement of organizational performance (Brockmand & Morgan, 2003; Dodgson, 1993; Fiol & Lyles, 1985). Firms that are able to learn stand a better chance of sensing events and trends in the marketplace (Day,

1994; Sinkula, 1994). As a consequence, learning organizations are usually more flexible and faster to respond to new challenges than competitors (Day, 1994; Slater &Narver, 1995), which enables firms to maintain long-term competitive advantages.

Huber (1998) asserts that OL enhances an organization's ability to innovate, which consequently improves organizational competitiveness and performance. Rhodes et al.. (2008) discover that OL has the greatest positive relationship with process innovation in knowledge transfer to enhance OP. Theriou and Chatzoglou (2008) propose that that KM and OL play their own unique role in creating organizational capabilities, which lead to superior performance. Yang, Wang and Niu (2007) provide a more thorough assessment of the link between OL and OP. Their findings show that applying OL influences corporate performance. Hanvanich et al. (2006) argue how learning orientation and organizational memory are related to important organizational outcomes, not only when firms have different levels of environmental turbulence but also when firms have the same level of environmental turbulence. Ruiz-Mercader et al. (2006) contend that individual and OL show significant and positive effects on OP. Zellmer-Bruhn and Gibson (2006) found that organizational contexts emphasizing global integration reduce team learning, but those emphasizing responsiveness and KM increase team learning; also stating that team learning, in turn, positively influences both task performance and the quality of interpersonal relations. Ruiz-Mercader et al. (2006) contend that individual and OL show significant and positive effects on OP and that information technology has a significant impact on OP outcomes only when a proper context of learning is in place.

It is difficult to establish a casual link between organizational learning and organizationalperformance. More conceptual and empirical work is needed to develop and test more comprehensive theories in this field (Sharma &Khandekar, 2005).

Regarding the relationship between OLC and OP, only two studies are reported in Nepalese context so far. In a study, Devkota, (2008) found that there is a positive relationship between the organizational learning and human resource commitment. Positive impact of cooperative learning was reported by Koirala, (2010) on work satisfaction and work performance. Shakya (2012) conducted a study on organizational learning and performance in Nepalese service sector. She found collective learning, culture and metaphor, process and system, continuous improvement; total quality management and knowledge management contribute to enhancing OP.

Table 6

Summary of the Study Linking Organizational Learning Capability and Organizational Performance

Contributions	Key themes
Zellmer-Bruhn and Gibson (2006)	Those emphasizing responsiveness and KM increase team learning; also stating that team learning, in turn, positively influences both task performance and the quality of interpersonal relations.
Hanvanich et al. (2006)	Demonstrate how learning orientation and organizational memory are related to important organizational outcomes.
Ruiz-Mercader et al. (2006)	Contend that individual and OL show significant and positive effects on OP and that information technology has a significant impact on OP outcomes only when a proper context of learning is in place.
Devkota (2008)	There is a positive relationship between the organizational learning and human resource commitment.
Shakya (2012)	Collective learning, culture and metaphor, process and system, continuous improvement; total quality management and knowledge management contribute to enhancing OP.

The Mediating Effect of Organizational Learning Capability in HRM Practices and Performance Relationship

Though the literature provides empirical support for a positive relationship between HRM and OP, its mechanism is a longstanding issue of debate. It is asserted that HRM practices are likely to influence internal resources and capabilities, and these interactions will eventually determine non-financial and financial outcomes (Combs et al., 2006; Jiang, Lepak, Hu & Baer, 2012). This means that HRM influences organizational outcomes sequentially, and HRM practices act as enablers of different

internal variables that mediate the relationship between HRM practices and firm performance (Paauwe, 2009). Previous works have developed models analyzing the mediating effect of knowledge and other variables related to knowledge, such as knowledge transfer or knowledge management capacity.

Collins & Smith (2006), using a sample of US high-technology firms, tested a model of how commitment-based HR practices affect the social climate that influences knowledge exchange and, thus, firm performance. This evidence supports the idea that it is likely that HRM practices first affect other aspects of the firms that is other strategic capabilities, that subsequently influence the knowledge transfer and combination. López-Cabrales, Pérez-Luño, and Valle-Cabrera (2009) also tested an HR practices-firm performance model using a sample of innovative Spanish companies. Their results did not support the direct effect of HR practices on performances, but they provided evidence that unique knowledge mediates the effect of collaborative HR practices on a company's innovative capability. Chen and Huang (2009) focused on the mechanisms that organizations use to acquire, share and apply knowledge and they developed a study with a sample of Taiwanese firms, providing evidence that knowledge management capacity plays a mediating role between a set of strategic HR practices and innovation performance. While they only found a direct effect of some HR practices on innovation performance, their results support the direct mediating role of knowledge management capacity.

The work of Kuo (2011) introduces organizational learning as a mediating variable, but its findings, based on a sample of 208 employees of different Taiwanese technological companies, show only an indirect mediating effect of organizational learning in the relationship between HRM and perceptual measures of non-financial performance (product or service quality; employee attraction and retention; customer satisfaction and management/employee relationship). Hooi and Ngui (2014) provide evidence that HRM enhances the performance of small and medium manufacturing and service companies in Malaysia by strengthening their OLC. This work finds a direct mediating effect of OLC in the HRM-performance relationship using perceptual measures of financial performance (sales growth, market share, profitability and rate of new product development).

As discussed before, high-performance HR practices may lead to better firm performance because of their effect on employee-based capabilities and resources. Employees play, therefore, a key role in the processes of creation of new knowledge and its subsequence dissemination and storage within the organization (Bowen & Ostroff, 2004; Collins & Smith, 2006; Jiang et al., 2012). These knowledge management processes underlie OLC. Therefore, those organizations that develop HR practices that promote continuous learning will develop their OLC to a greater extent and, consequently, obtain higher performance (Takeuchi et al., 2003; Theriou & Chatzoglou, 2008).

Previous researchers have used different mediating variables in HR-performance linkage. Huselid (1995) used productivity and turnover rate as the mediating variable of the relationship between firm performance and high-performance work system to make an emprical study. Moynihan (1998) used customer satisfaction as the measurement variable of firm performance to study the organizational commitment's mediating effect between firm performance and high-performance HRM. Some scholars also used the work environment or organizational climate as a mediating variable to conduct an empirical study (Fulmer, Gerhart &Scott, 2003). As research continues to grow, some scholars use some of the characteristics of people as mediating variables, such as intellectual capital (Youndt, 1998), employee skills and attitudes (Park, Mitsuhashi, Fey&Bj¨orkman, 2003), to come to some conclusions.

Zhang and Li (2008) using the strategic implementation capacity as the mediating variable between them, selected 650 enterprises in the pharmaceutical industry to conduct research, and came to the conclusion that the mediating role of the strategic implementation capacity existed. He and Peng (2008) from the perspective of management and organizational learning knowledge, point out that human resources management practices shared by action-oriented impact on organizational learning and knowledge, have an impact on OLC through capacity-oriented means, which can then affect innovation performance.

Su (2010a) through a empirical study proves that, for Chinese enterprises, employees' role behavior is the intermediary variable between HRM and enterprise

performance. Xing (2012) through a single case study on the ability of independent innovation in the intermediary role of high-performance human resources office relationship management system and enterprise performance plays a validated role concludes: a high-performance HRM system forms independent innovation ability and enterprise, and external environment dynamic matching can improve the performance of enterprises. Yao (2013) through empirical research to verify the mediating effect of organizational learning ability between high-performance work systems and firm performance shows that: OLC and its two sub-dimensions between high-performance work systems and firm performance relationship played a part of the intermediary role.Wu (2014) found that strategic implementation capacity can achieve efficient intermediary function in high-performance human resources management influencing the firm's performance. Zheng (1991) find that HRM under an innovative culture results in better performance. De Kok and Den Hartog (2006) take innovation as the mediating variable in the relationship between a high-performance work system and employee productivity.Other mediating variable in HRM-performance link arecharacteristics of people, (Youndt,1998; Park et al., 2003), strategic implementation capacity (Zhang & Li, 2008), management and organizational learning knowledge, (He &Peng,2008), employees' role behavior Su (2010a), innovation (Xing,2012; De Kok & Den Hartog, 2006).

No Nepalese study has been reported so far investigating the relationship between HRM and OP with mediating effects of any variable.

Table 7

Summary of the Study Using Mediating Variable between Human Resource Management and Organizational Performance

Contributions	Mediating Variable	Key themes
Combs et al.(2006), Jiang et al.(2012)	Internal resources and capabilities	HRM practices are likely to influence internal resources and capabilities, and these interactions will eventually determine non-financial and financial outcomes.
Paauwe (2009)	Internal variables	HRM practices act as enablers of different internal variables that mediate the relationship between HRM practices and firm performance.
Collins & Smith, (2006)	Social climate	Commitment-based HR practices affect the social climate that influences knowledge exchange and, thus, firm performance.
López-Cabrales et al. (2009)	Unique knowledge	Unique knowledge mediates the effect of collaborative HR practices on a company's innovative capability.
Chen and Huang (2009)	Knowledge management capacity	Knowledge management capacity plays a mediating role between a set of strategic HR practices and innovation performance.
Kuo (2011)	Organizational learning	Organizational learning mediates the relationship between HRM and perceptual measures of non-financial performance indirectly.
Hooi and Ngui (2014)	Organizational learning capability	Finds a direct mediating effect of OLC in the HRM-performance relationship using perceptual measures of financial performance (sales growth, market share, profitability and rate of new product development).

Conclusion

The literature highlights that studies on HRM and performance are mostly conducted in developed economies. Few investigations on this issue may be found in other parts of the world, especially in emerging economy such as China (Deng et al.,2003) and in transitional economies such as Slovenia (Zupal & Kase,2005). This study fills this gap by exploring the HRM-OP relationship with the mediating effect of OLC in one of the least developed countries of the world.

Most of the Nepalese organizations are still not aware of the fact that competitiveness can be enhanced only through invisible assets that are embodied in human resource (Adhikari, 2005). This study highlights the mechanism through which HRM can contribute towards organizational effectivenessas such study has been reported so far in Nepalese context. Most of the HR researches in Nepal are based on individual practices. There is dearth of Nepalese HR studies conducted on configulational perspective on best practice model. This study seeks to test the HRM-Performance relationship in service sector organization through proper relationship mechanism i.e. OLC. In this context, this study intends to test the relationship between HRM practices and OP through the mediating effects of OLC in the context of Nepal.

Chapter 4

RESEARCH METHODOLOGY

Introduction

Chapter three presented the literature related to the constructs under this study and highlighted the methodological and theoretical perspectives. This chapter presents the research approach and methodologies used in this study. It provides the design of the research followed to achieve the research objectives. It further highlights the population and sample design of this study. The data collection methods, measurement of the constructs and data analysis approaches are also discussed in this section.

Research Design/ Methodological Approach

The main objective of this study is to examine the mediating processes between the existence and application of HRM practices and creation of competitive advantage for a superior organizational performancee (OP). A composite model, which explores the relationship between best human resource management (HRM) practices and OP with the mediating effect of organizational learning capability (OLC) will be tested in Nepalese commercial banks. A survey research strategy has been adopted to achieve the study objective. A descriptive research design is followed to explore the state of HRM, OLC and OP in Nepalese commercial banks. This study also adopts casual research

design to test the relationship between best HRM and OP from the perspective of OLC. The main goal of casual research design is to identify the cause and effect relationship among variables (Zikmund, 2003). The proposed framework and findings intend to add to the understanding of the specific processes that mediate the relationship between best HRM practices and OP in Nepalese context.

This study has adopted the quantitative approach to explore the relationship between HRM and OP. The existence of HRM, OLC and OP as perceived by the employees are measured through a likert scale ranging from 1 to 7 (Theriou & Chatzoglou, 2008, Lin& Kuo, 2007). As researchers have argued, with deep roots in the theory of the study, the deductive approach seems the most suitable path to use in finding answers to the research questions (Bryan & Bell, 2007; Saunders, Lewis & Thornhill, 2009) which this study has adopted.

Population and Sample

According to Nepal Rastra Bank (2019), there are altogether 28 commercial banks in Nepal. Out of them, Rastriya Banijya Bank, Agriculture Development Bank and Nepal Bank Limited are publicly owned commercial banks and the rest 25 are privately owned. Rastriya Banijya Bank is fully owned by the government. However, the government owns other two banks partially.

The population of this study is comprised of all the commercial banksof Nepal. In order to achieve sufficient sample size and generalization of the result, the sample

frame for this study includes 11 commercial banks, out of which, three are publicly

owned banks and eight are private sector banks.

Table 8

Sample Organizations' Profile

Ownership Pattern	Population	Sample Banks	% of Total Population
Public	3	3	100
Private	25	8	32
Total	28	11	39.3

All the publicly owned commercial banksare selected as samples for this study.

The reasons behind their selection are; they are the oldest commercial banksin Nepal

and the largest in terms of both capital and number of employees. Similarly, other

eightcommercial banks are selected on random basis. Out of them, four are established

in or before 2010 and rests four are established after 2010. Out of eight privately owned

commercial banks, two are foreign joint ventures. Table 9 provides a brief profile of the

sample commercial banks.

Table 9

Profile of SampleCommercial Banks

	Name	Operation Date (A.D.)	No of Branches	Paid Up Capital (In billion) *	Pattern of Ownership
1.	Nepal Bank Ltd.	1937/11/15	133	8.04	Public
2.	Rastriya Banijya Bank Ltd.	1966/01/23	179	8.59	Public
3.	Agriculture Development Bank Ltd.	1968/01/21	228	13.94	Public
4.	Standard Chartered Bank Nepal Ltd	1987/02/28	12	8.05	Private-Joint venture
5.	Nepal Bangaladesh Bank Ltd.	1994/06/06	54	8.09	Private-Joint venture
6.	Siddhartha Bank Ltd.	2002/12/24	96	7.06	Private-Domestic
7.	Mega Bank Nepal Ltd.	2010/07/23	44	7.38	Private-Domestic
8.	Century Commercial Bank Ltd.	2011/03/10	31	7.68	Private-Domestic
9.	Sanima Bank Ltd.	2012/02/15	51	8.00	Private-Domestic
10.	NIC Asia Bank Ltd.	2013/6/30*	171	8.03	Private-Domestic
11.	Prabhu Bank Ltd.	2014/9/15*	134	6.53	Private-Domestic

* The paid up capital is by mid January,2017

Source: Nepal Rastra Bank(2017).

Banking industry is selected for this study since it is regarded as one of the most successful industries in Nepal. Banks provide service to the people. The nature and types of services provided by commercial banks are knowledge based and their performances are largely determined by the dynamic capabilities they develop through intangible resources. With the entry of foreign banks and enhanced collaborations, HRM in Nepalese commercial banks is gradually getting importance. Besides, the role of HRM in organizational success is very high in service businesses. Likewise, with the changing environment and customer expectations, OLC is coming into consideration in Nepalese financial institutions. Banking sector is regarded as information and knowledge intensive. All these issues make the HRM-OP study in Nepalese commercial banks relevant.

Selection of Key Informants

The informants of this study are the middle and top level employees of the sample banks from both branch and corporate (head) office who are expected to have betterknowledge and understandings of the existence of HRM practices, OLC and OP in their respective organizations better than other employees. The names of the top and middle level employees of the sample organizations were collected from their respective HR departments and questionnaires were distributed to them randomly to minimize the sampling errors. The respondents were requested to fill the questionnaire to the best of their knowledge and understanding to make this study more reliable and valid. The profile of the respondents has been given in table 10.

Table 10

Respondents' Profile

Demographic Features	Frequency	Percent
Gender		
Male	167	66.27
Female	85	33.73
Total	252	100
Educational Qualification		
Mphil/Phd	12	4.76
Masters	102	40.48
Bachelor	138	54.76
Total	252	100
Age		
Upto 35 years	85	33.73
36 to 45 years	96	38.10
46 and above	71	28.17
Total	252	100
Experience		
Upto 5 years	24	9.52
6 to 15 years	198	78.57
16 years and above	30	11.90
Total	252	100
Designation		
Officer	44	17.46
Departmental chief/HR managers	86	34.13
Senior managers	122	48.41
Total	252	100

Measures of Construct

This study is mainly related to testing the relationship between HRM and OP with the mediating effects of OLC. Hence, HRM practices, OLC and OP are the main constructs. These constructs are measured through a number of dimensions which are latent and formed through a number of observed items. The constructs and dimesions used in this study are measured in the following way.

HRM Practices

The HRM practices are measured through eight dimensions as given in table 11. These variables are taken from the exant literature considering their relative importance in HR management as well as adoption by the commercial banks. For this, a number of HR managers, line managers as well as some employees were interviewed.

Each dimension is measured as latent variables comprising different measured items. They are taken from the works of Ahmad and Schroeder (2003), Becker and Huselid (1998), Bowen, Galang & Pillai (2002), De Kok &Den Hartog (2006), Delery and Doty (1996), Guest et al. (2003), Huselid (1995), Michie and Sheehan (2005), Pfeffer (1998),Wiesner and McDonald (2001), Bhandari (2008) and Pandey (2014).

A brief description of HRM dimensions along with their respective measurement items are discussed below.

Selective hiring. Recruitment/hiring is the process of attracting a large pool of prospective employees who can contribute towards the organizational well being. Pfeffer (1994) points out that all companies must make HR investments to acquire and develop employees who possess better skills and capabilities than their competitors to succeed in today's global business environment. He further asserts that organizations serious about obtaining profits through people will expend the effort needed to ensure that they recruit the right people in the first place. In other words, they make the hiring selective.

Selective hiring is measured through six items namely size of application pool, formal test for employee selection, systematic and formal ways of interview, analysis of attitude, analysis of cultural fit and analysis of critical skill. These items are used to measure the degree to which the organization employs sophisticated hiring procedures and the importance given to specific internal characteristics of the prospective employees' attitude and behaviors.

Teamwork. Two decades of research in organizational behavior provides considerable evidence that workers in self-managed teams enjoy greater autonomy and discretion, and this effect translates into intrinsic rewards and job satisfaction; teams also outperform traditionally supervised groups in the majority of the empirical studies (Batt, 1994). Teamwork is the concept that people work together cooperatively as a team to accomplish the common organizational goal.

Teamwork is measured through six items namely promotion of teamwork, feeling being a part of the team, cooperation within and between teams, information sharing, satisfaction level while working in team and team spirit. They are used to measure the effectiveness of teams and to assess the extent to which supervisors encourage and facilitate workers to work in teams.

Workers' involvement in problem solving. Teamwork encourages workers' involvement in problem solving. Participation and workers' involvement are found to be effective in promoting OP. Teece, Pisa&Shuen (1997) point out that decentralization and workers' involvement can not only facilitate the process of market evaluation but can also enhance the transformation of workers' capabilities in obtaining an advantage over competitors.

Workers' involvement in problem solving is used to measure the existence of employees' voice in the organization. Four different items are used to assess whether the workers are involved in solving problems in the organization or not and their opinions are well regarded or not. These items are involvement in problem solving, involvement in decision affecting one's job, considerations by supervisor in decision making and sharing by workers at multiple levels.

Compensation and promotion based on performance. Although labor markets are far from perfectly efficient, it is nonetheless the case that some relationship exists between what a firm pays and the quality of the work force it attracts (Pfeffer,1994). Proper promotion and compensation systems can motivate skilled

employees to engage in effective discretionary decision-making in response to a variety of environmental contingencies.

Seven items are extracted from the extant literature to assess the recognition of employee performance and its connection with compensation and promotion. They are promotion based on performance, fair rerwards, equal application of policies and procedures, favoristism not a problem, pay according to performance, sense of personal accomplishment, and competitive pay. They are used to measure the recognition of employee performance and its relation with rewards.

Internal career opportunity. Another dimension of best HRM practice used in this study is internal career opportunity. Four different items are used to assess whether the workers perceive that their organization provides internal career. These items consisted of opportunity to advance career, organizational dedication for career advancement, feedback by supervisor on career advancement and development of leaders within the organization.

Training and development. Training is mainly related to transfer of knowledge and skill that are required for effectiveness of organizational activities. Virtually all descriptions of high-performance management practices emphasize training, and the amount of training provided by commitment as opposed to control-oriented management systems is substantial (Pfeffer,1994). According to McDuffie and Kochan (1995), having a work force that is multi-skilled, adaptable to rapidly changing circumstances and with broad conceptual knowledge about the production system is critical to the operation of a flexible production system.

Training and development is measured through six items namely in-house training, opportunities for growth and development, effectiveness of training, identification of training needs, relevancy of training and availability to all employees. They are used to measure whether job skills and knowledge of the employees are upgraded to maintain a workforce with up-to-date skills.

Job security. Innovations in work practices or other forms of worker-management cooperation or productivity improvement are not likely to be sustained over time when workers fear that by increasing productivity they will work themselves out of their jobs (Chatman, 1994).

The firms which are deeply involved in high performing HRM practices want to offer job security to some degree so as to reduce employee turnover. Employee turnover is found to be negatively associated with productivity for companies highly involved in high performing work system programs (Arthur, 1994). Hence, offering some form of job security is a measure that can effectively lead to better firm performance.

Four different items of job security as taken from the extant literature are used to measure the perception of the employees towards the extent that their jobs are secured. They are not worry about loosing job, employees as critical assets, expression of opinion freely and commitment of management not to lay off employees. The degree of job security reflects an organization's view that workers should be treated as critical assets for the long term sustainability of the organization not as a variable cost.

Broadly defined job description. The last dimension to measure HRM practice used in this study is broadly defined job description. Four different items are taken from

the extant literature to assess the extent to which the jobs are broadly defined and designed to the make full use of employees' skills and knowledge. They are clear about job duties, mention of skill and qualification in the job description, matching the job and skills and purpose of job in job description.

Table 11

Summary of Measures of the Best HRM Practices

HRM Dimensions	No of Items	Key Themes
1. Selective hiring	6	The degree to which the organisation uses sophisticated hiring procedures and the importance given towardsspecific characteristics of the prospective employee's attitude and behavior
2. Teamwork	6	Assess the effectiveness of team.
3. Workers' involvement in problem solving	4	Measure the employees' involvement in problem solving.
4. Compensation and promotion based on performance	7	Measure whether the organization's promotion and reward system is based on the performance of the employees.
5. Internal career opportunities	4	Measure the career paths available within the organization.
6. Training and development	6	Measure the training opportunities available to the employees
7. Job security	4	Reflect the organisation's view that workers should be treated not as a variable cost but as a critical asset in the long term viability and success of the organization
8. Broadly defined job descriptions;	4	Assess the extent to which jobs are broadly defined and designed to make full use of employees' skills and abiltites.

Organizational Learning Capability

OLC is measured through three dimensions (Table 12). Like HRM practices, each dimension is measured through a number of items taken from previous works of Galer and Heijden (1992), Goh and Richards (1997), Hult and Ferrell (1997), Calantone, Cavusgil, &Zhao (2002), Sinkoula et al. (1997), and Shakya (2012).

A brief description of OLC dimensions along with their respective measurement items are discussed below.

Commitment to learning and empowerment. This dimension of OLC measures the extent that management is committed toward building a learning supportive environment and empowers the employees to do the things in new ways. Four items are used to measure commitment to learning and empowerment; encouragement of management for risk and experimentation, strategy to build learning culture, interrelationship between learning and organizational goals and empowerment of employees for learning. They are used to measure the role of management with regard to helping employees learn and elicit behaviours that are consistent with an experimenting and changing culture.

Systems perspective and clarity of purpose and mission. This dimension measures whether system thinking of learning exists in the organization and the employees are clear about the expected future state of the organization. Four items are used to measure this dimension; clarity of vision and mission, clear understanding of the organization as a system, understand the gap between current and desired state and

commitment towards building shared vision. They measure the degree to which employees have clear vision/mission of the organisation and the existence of a common understanding that enables the firm to be seen as a system made up of different parts, each of which has its own function but acts in a coordinated way to obtain a satisfactory result.

Openness and experimentation. Openness and experimentation is used to measure the degree of independence employees enjoy in pursuit of new ways of getting the jobs done and freedom to take risks. Altogether four items are used for this; enjoyment in new ways of jobs, freedom to take risk, structural support for experimentation and compensation for innovation and risk taking.

Table 12

Measures of Organizational Learning Capability

OLC Dimensions	No of Items	Key Themes
1. Commitment to learning and empowerment	4	Measure the role of management to helping employees learn and elicit behaviours that are consistent with an experimenting and changing culture.
2. Systems perspective and clarity of purpose and mission	4	Assess the degree to which employees have clear vision/mission of the organisation and the existence of a common understanding that enables the firm to be seen as a system made up of different parts.
3. Openness and experimentation	4	Measure the degree of independence employees enjoy in the pursuit of new ways of getting the job done and freedom to take risks.

Organizational Performance

OP is divided into two sets of measures: financial and non-financial. The financial measure includes market and accounting performance and employee commitment is taken as the non-financial measure. Like HRM and OLC, they are also measured as latent constructs comprising different items. The OP items are taken from the works of Venkatraman and Ramanujam (1986), Mowday and Steers (1979), Theriou and Chatzoglou (2008), Lin and Kuo (2007) and Khandekar and Sharma (2005).

A brief description of OP dimensions along with their respective measurement items is given below.

Market performance. Six items are used to measure the market performance as perceived by the employees. For the purpose of this study, financial and market both performances are named as market performance. The six items are used to measure this performance dimensions are operating income, net profit, profit margin, return on equity, market share and increase in market share.

Wall et al., (2004) found that subjective measures (self reports) compared favourably with 'objective' measures in terms of their convergent, discriminant, and construct validities. The objective market performance cannot be translated into a meaningful metric, such as the dollar increases associated with one-standard-deviation increase in the use of HRM (Huselid, 1995). Given this concern, this study has adopted the perceptual measures of market performance.

Employee commitment. Employee commitment is the degree of efforts put by the employees towards achievement of organizational goals. It may also be defined as a psychological state that binds an individual to the organization.Employee commitment was also measured through seven items namely proud to be part of organization, happy to spend rest of career in the organization, enjoying discussing about the organization, taking problems being own, attachment with the organization, belief on loyalty and effort to achieve organizational goal.

Table 13

Measures of Organizational Performance

OP Dimensions	No of Items	Key Themes
1. Market performance	6	Measure the market and financial performance of the organizations as perceived by the employees related to financial measures.
2. Employeecommitment	7	Measure the degree that employees are bound towards achievement of organizational goal.

The measurement of the OP scale is similar to HRM and OLC.

Translation of Instrument and Pretesting

The questionnaire items were developed on the basis of the extant literature and modified to suit the banking sector. The content validity of the questionnaire is expected to be high due to two reasons. The questionnaire items are extracted from review of the existing literature in the field of this study. Second, they are analysed by the professor

of HRM (supervisor) and another renowned professor in this field. Likewise, they are discussed with two HR managers and two senior bank managers and are revised and modified on the basis of their advices and suggestions. The questionnaire is not translated into Nepali language since the respondents are all above graduate level and expected to understand the content without any difficulty. All the items of questionnaire are in likert scale ranging as one strongly dissatisfactory to seven strongly satisfactory. Finally, the questionnaire is pretested with 20 senior level employees selected randomly from the sample banks. It was performed to establish content validity (Zikmund,2003). The main aim of pre-testing is to enrich the face validity of the questionnaire. On the basis of detailed analysis of the questionnaire, it is further modified and finalised for administration.

Data Collection Procedures and Response Rate

This study is entirely based on primary data which were collected through questionnaire from March 2016 to April 2017. At least 30 middle and top level employees from each organization from managerial level are approached to respond about the existence of HRM practices, OLC and OP in their respective organizations. Altogether 410 questionnaires were distributed, out of this 269 questionnaire were returned, the response rate being 66% which may be taken highly satisfactory in survey research design. Altogether, 17 questions were removed as they were not in usable forms due to multiple non-responses. Finally, 252 responses are used for further analysis.According to Kline (2005) a typical sample size in studies where SEM is used

is about 200 cases. Hence, the number of response of this study may be regarded as satisfactory for SEM.

Analysis Tools

This study is based on quantitative method of research. Hence, different statistical tools are used to achieve the study objectives. The computer software SPSS and Amos are used for data analysis purpose. The statistical tools used for data analysis are discuused below.

Mean, Standard Deviation and AVOVA

Mean refers to the average that is used to derive the central tendency of the data. Standard deviation (SD) is a measure that is used to quantify the amount of variation or dispersion of a set of data values. Analysis of Variance (ANOVA) is a statistical method used to test differences between two or more means.

In this study, mean and standard deviation are used for the descriptive analysis of data collected in Likert scale ranging from one as strongly unsatisfactory to seven as strongly satisfactory, the mean of which is four. Hence, the items with mean value below four are perceived unsatisfactory and vice-versa. ANOVA is usedto assess the difference in the existence of HRM, OLC and OP between the public and private commercial banks.

Structural Equation Modeling

Structural Equation Modeling (SEM) is a powerful multivariate analysis technique that is widely used in the social sciences (Hershberger, 2003). It is based on development of theoretical constructs, which are represented by the unobserved (latent) variables. Latent variables are hypothetical or unmeasured variables which are free from random or systematic measurement errors and are observed only indirectly or imperfectly through their effects on observed or manifest variables (Bollen, 1989). A key feature of SEM is its ability to test hypotheses about relationships among observed (measured) and latent variables (Hoyle, 1995). Its applications range from the analysis of simple relationships between variables to complex analyses of measurement equivalence for first and higher-order constructs (Cheung, 2008). This analysis also focuses on the fit of the data to the theoretical model. SEM is a highly flexible and comprehensive methodology that allows researchers to test hypotheses based on multiple constructs that may be directly or indirectly related to both linear and nonlinear models.

A distinct advantage of SEM over conventional multiple regression analyses is that the former has greater statistical power (probability of rejecting a false null hypothesis) than does the later. SEM examines the correlated measurement error so as to determine to what degree unknown factors influence shared error among variables that may affect the estimated parameters of the method. SEM also has the ability to manage measurement error, which is one of the greatest limitations of most studies.

SEM resolves problems of multicollinearity. It depicts a diagram or a pictorial representation of a model that is transformed into a set of equations. The set of equations are solved simultaneously to test model fit and estimate parameters. The graphical language provides a convenient and powerful way to present complex relationships.

SEM is used in this study to verify the relationship between HRM practices and firm performance with the mediating effects of OLC. It involves building measurement model and structural model. The measurement model is developed using exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

Exploratory factor analysis. Exploratory Factor Analysis (EFA) is a statistical tool that examines all the pair-wise relationship between individual variables and seeks to extract the latent factors from the measured variables. EFA detects the constructs/factors that underlie a dataset based on the correlations between variables (Tabachnik & Fidell, 2001).The main goal of EFA is to explore whether the data fits the model that makes a sense.   EFA is a data-driven approach and often used in early stages of an investigation.

There are different methods of factor analysis. Out of them, principal components extraction method with varimax (variance maximizing) rotation is used in this study. This method is widely used, understood, and conforms to the factor analysis model in which common variance is analyzed with the unique and error variances removed (Tabachnick & Fidell, 2001).

The criteria used for factor extraction is based on the eigenvalue (>1). Kaiser's criterion, suggested by Guttman and adapted by Kaiser, considers factors with an eigenvalue greater than one as common factors (Nunnally, 1978).

Kaiser-Meyer-Okin (KMO) measure of sampling adequacy signals whether the sample size is large enough to reliably extract factors (Field, 2009). KMO "values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great and values above 0.9 are superb" (Field, 2009).

EFA is done for all three main constructs namely HRM practices, OLC and OP. It is done so as to come to few constructs which are expected to help understand better significance of HRM practice and interpret in what way they may affect OLC and OP. In this study, it is necessary to conduct EFA of the constructs before CFA since the items are not taken solely from a particular researcher/s which is validated empirically. The EFA is performed using SPSS version 23.

Confirmatory factor analysis.CFA is used as a second step next to EFA to examine whether the structure identified in the EFA works in a new sample. In other words, CFA is used to confirm the factor structure identified in the EFA. Unlike EFA, CFA requires prespecification of all aspects of the model to be tested and is more theory driven than data-driven.

CFA is often used in later stages of an investigation to confirm specific hypotheses. It is used to test whether measures of a construct are consistent with a

researcher's understanding of the nature of that construct (or factor). Its objective is to test whether the data fits a hypothesized measurement model.

CFA is done at two levels. They are first order and second order. The main aim of first order CFA is to check the model fit of individual dimension which is called unidimensionality. The second order CFA is a statistical method employed to confirm that the theorized dimensions in the study loads into certain number of underlying constructs. The second-order factor is completely latent and unobservable.

CFA seeks to determine if the number of factors and the loadings of measured (i.e. indicator) variables on them conform to what is expected on the basis of pre-established theory. A researcher's priori assumption is that each factor (the number and labels of which may be specified a `priori) is associated with a specified subset of indicator variables (Kim & Mueller, 1978).

Many fit measures are used to evaluate the model fit for each constructs. They are chi-sqaure degree of freedom ($\chi 2$ df), comparative fit index (CFI), standardize root mean square residual (SRMR) and root mean square error of approximation (RMSEA). composite reliability (CR) and average variance explained (AVE) are used to assess the reliability and validity of the measurement models.

CFA and SEM can each be an iterative process by which modifications are indicated in the initial results, and parameter constraints altered to improve the fit of the model, if such changes are warranted theoretically. To improve the model fit, some of

the parameters are freed on the basis of a high modification index (MI) value and some of the observed items are deleted.

CFA is used in this study to test whether the data fit a hypothesized measurement model of HRM practices, OLC and OP individually as well as collectively as the final model of measuring the relationship between HRM practices and OP with the mediating effects of OLC.

Reliability and Validity Measures

Reliability

Zikmund (2003) defines reliability as the degree to which measures are free from random errors and therefore yield consistent result. There are three techniques of measuring reliability of an assessment tool. They are test re-test, split half and internal consistency. Test re-test method is mostly used in experimental research. Split half method is used in psychological research and internal consistency method is used in Likert scale data. Reliability is necessary but not sufficient for validity (Zikmund, 2003). Hence, a reliable instrument may not be valid.

Since this study is based on Likert data, internal consistency method has been used. Internal consistency estimates the reliability by measuring the homogeneity of items in the measure. The mostly used test for inter item consistency is Cronbach's alpha (α). Cronbach's α can be considered as an adequate index of the inter item

consistency reliability (Sekaran, 2003). The minimum α value is 0.7 for internal

consistency (Nunnaly, 1978). During confirmatory factor analysis (CFA), composite

reliability (CR) is used to assess the reliability of various dimensions of the HRM, OLC

and OP. Itis used to check the internal consistency, which should be greater than the

benchmark of 0.7 to be considered adequate (Hu & Bentler, 1999).

Validity

Validity is the ability of a scale to measure what is intended to be measured

(Zikmund,2003). Construct validity is the main concern for this study. Construct

validity is the ability of a measure to confirm a network of related hypotheses generated

from a theory based on the concept (Zikmund,2003). It is necessary whenever a test is

to be interpreted as a measure of some attribute or quality which is not operationally

defined. Construct validity has three aspects.

Convergent validity. Convergent validity measures the correlation of an item of

a construct with other items. In other words, it takes the measures that are supposed to

be measuring the same construct and shows that they are related. This is used in both

orders of CFA.

The essentials of construct validity are as follow (Gaskin & Lim, 2016).

- Composite reliability should be more than 0.7 (CR>0.7).

- Average variance explained should be more than 0.5(AVE>0.5).

- Composite reliability should be more than average variance explained (CR>AVE).

- The loadings of each item should be greater than 0.50 and averaging out to greater than 0.70 for each factor.

Discriminant validity. Discriminant validity is the ability of some measure to have a low correlation with measure of dissimilar concept. It shows that two measures that are not supposed to be related are in fact have a low correlation. This is used only in first order CFA.

The requirements of discriminant validity are (Gaskin & Lim, 2016).

- Square root of AVE should be greater than inter-construct correlations

- The correlations between factors should not exceed 0.7.

Face validity. It is the extent to which a test is subjectively viewed as covering the concept it purports to measure (Holden, 2010). It refers to the transparency or relevance of a test as it appears to test participants. In other words, a test can be said to have face validity if it "looks like" it is going to measure what it is supposed to measure. There is no statistical approach to measure the face validity. It is basically judged in terms of theoretical background and expert opinion. One frequently used procedure for face validity is to verify whether the process of construction of the scale fits the criteria suggested in the literature, both in methodology and the techniques and coefficients used.

Fit Measures and Cut Offs

Different measures of validity, reliability and model fit indices used in this study are given in table 14.

Table14

Fit Measures and their Cutoff Point

Fit Measure	Description	Cutoff	Reference	Use
Cronbach's Alpha	A measure of internal consistency of the measures	>0.7	Nunnally, (1978)	EFA
Composite Reliability (CR)	A measure of the overall reliability of a collection of heterogeneous but similar items.	>0.7	Hu & Bentler (1999)	First Order CFA
KMO-Bartlett's Test of Sphericity	A measure of sampling adequacy for each variable in the model and for the complete model. It also measures the proportion of variance among variables with common variance.	>0.6	Nunnally, (1978) Norusis (1994) Cerny& Kaiser, (1977)	EFA
Factor loading	Measures the correlation coefficients between the variables and factors.	>0.5	Gaskin and Lim (2016)	EFA and First Order CFA
CMIN/DF	If the chi-square is not significant, the model is regarded as acceptable. It means, the observed covariance matrix is similar to the predicted covariance matrix. If the chi-square is significant, the model is regarded as unacceptable.	<5	Harrison and Rainer (1996)	First and Second Order CFA and SEM
Average Variance Extracted (AVE)	A measure of the amount of variance that is captured by a construct in relation to the amount of variance due to measurement error.	>0.5	Hu & Bentler (1999)	EFA, First and Second Order CFA

Comparative Fit Index (CFI)	Compares the fit of a target model to the fit of an independent model-a model in which the variables are assumed to be uncorrelated. It refers to the difference between the observed and predicted covariance matrices, as represented by the chi-square index.	>0.9	Bollen and Long (1993)	First and Second Order CFA and SEM
		>0.95	Hu & Bentler (1999)	
		>0.93	Byrne (1994)	
Standardize Root Mean Residual (SRMR)Jöreskog & Sörbom (1988)	The standardized difference between the observed correlation and the predicted correlation.	<0.1	Hair, Anderson, Tatham & Black, (1998)	First and Second order CFA and SEM
		<0.08	Hu & Bentler (1999)	
Root Mean Square Error of Approximation (RMSEA)	The population to have an approximate or close fit with the model.	< 0.06	Hu & Bentler (1999)	First and Second Order CFA and SEM

Conclusion

This chapter presented the research approach and methodologies used in this study. This study has used descrpitive as well as casual research design. The population of this study is 28 commercial banks, out of which 11 are selected for this purpose. The informants are the middle and top level of employees of the sample banks. The HRM practices aremeasured through 8 dimensions, OLC measured through and finally OP with two dimensions. The data will be collected using questionnaire based on Likert scale. Structural Equation Modeling is used for model building and analysis of data. Different model fit measures are used for assessing reliability and validity.

Chapter 5

ANALYSIS AND PRESENTATION

Introduction

Chapter four highlighted the research design and methodologies used in this study. This chapter includes the analysis and presentation of data which has been done in three parts. The first part includes the descriptive analysis of human resource management (HRM) practices, organizational learning capability (OLC) and organizational performance (OP). It aimsto serve the first objective of this study i.e. to explore the state of HRM practices, OLC and OP in Nepalese commercial banks. The statistical tools used in this section are means, standard deviation and analysis of variance (ANOVA).

The second part of this chapter includes development of measurement model of HRM practices, OLC and OP. The inferential statistical tools like exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) are used for this. Based on Gaskin and Lim (2016), Harrison and Rainer (1996), Bollen and Long (1993), Hu andBentler (1999), Byrne (1994), and Hair et al., (1998), different measures of model fit indices like CMIN/DF, comparative fit index (CFI), standardize root mean residual (SRMR), and root mean square error of approximation (RMSEA) are used to assess model fit of the measurement model.

The third and final part of data analysis consists of development and evaluation of structural model to test the relationship between HRM practices and OP in Nepalese commercial banks with the mediating effects of OLC. This part serves all other objectives (objectives two, three and four) of this study. Four different hypotheses are tested to confirm such relationship.

Descriptive Analysis of Study Constructs

Introduction

This section of data analysis presents the descriptive analysis of the study constructs namely HRM Practices, OLC and OP. It attempts to serve the first objective of this study i.e. to explore the state of HRM practices, OLC and OP as perceived by the employees in Nepalese commercial banks. It further attempts to assess whether the state or condition of above constructs differ significantly between the public and private commercial banks.

Each construct is measured through a number of dimensions taken from the extant literature. HRM practices are measured through eight dimensions, OLC through three dimensions andOP through two dimensions. Further, each dimension is measured as latent variable comprising of different observed variables/items. For instance, selective hiring as a dimension of HRM is measured through six different observed items. Hence, the study dimensions are measured as reflective measures comprising different items. Each item is measured through seven point Likert scale ranging oneas strongly unsatisfactory to sevenas strongly satisfactory, the average of which is four. Hence, the response at or above four is taken as satisfactory side of response and below four as unsatisfactory side.

The following section presents the descriptive analysis of different constructs used in this study.

Descriptive Analysis of HRM Practices

This part of data analysis presents the descriptive statistics of the HR Practices along with analysis of variance. It aims to explore whether the HR practices adopted by the commercial banks are in satisfactory state of not. For this, mean and standard deviation of different dimensions of HRM and items within the dimension are calculated. ANOVA is done to explorewhether significant difference in the adoption of HRMPractices exists between the public and private commercial banks. Table 15 presents the descriptive analysis of HRM practices.

Table15

Descriptive Analysis of HRM Practices/Dimensions

HRM Dimensions	No of Items	Mean			St. Dev.	F	Sig
		Public	Private	Total			
Selective Hiring	6	4.02	4.19	**4.14**	0.71	2.96	0.09
Teamwork	6	4.33	4.72	**4.61**	1.05	6.86	0.00
Workers' Involvement in Problem Solving	4	3.89	4.02	**3.98**	0.95	0.82	0.37
Compensation and Promotion based on Performance	7	3.83	4.39	**4.23**	1.15	12.07	0.00
Internal Career Opportunity	4	4.22	4.83	**4.66**	1.00	19.36	0.00
Training and Development	6	4.26	4.78	**4.64**	1.13	11.07	0.00
Job Security	4	4.17	4.06	**4.09**	0.10	0.64	0.43
Broadly Defined Job Description	4	4.28	4.82	**4.67**	1.01	15.30	0.00

N: Public- 69, Private- 183, Total- 252. The details of individual items under these dimensions are presented in appendices table A1 to A8.

The descriptive analysis of HRM Practices reveals that most of the HRM Practices are perceived to be in satisfactory state by the employees in Nepalese commercial banks (Mean> 4). Selective hiring (Mean-4.14, SD-0.71), teamwork (Mean-4.61, SD-1.05), compensation and promotion based on performance (Mean-4.23 SD-1.15), internal career opportunity (Mean-4.66, SD-1.00), training and development (Mean- 4.64, SD-1.13), job security (Mean- 4.09, SD-0.10) and broadly defined job description (Mean- 4.67, SD-1.01) are in satisfactory state. Workers' involvement in problem solving (Mean-3.98, SD-0.95) is slightly below the satisfactory level. The weak state of workers' involvement in problem solving indicates that the job enrichment concept has not been utilized fully in Nepalese commercial banks. It affects the motivation and satisfaction level of the employees adversely.

The comparative analysis of HRM Practices in Nepalese commercial banks reveals that no significant difference exists between the public and private sector banks in adoption of selective hiring (F-2.96, P-0.09), workers' involvement in problem solving (F-0.82, P-0.37) and job security (F-0.64, P-0.43). Significant difference is seen between them in teamwork (F-6.86, P-0.01), internal career opportunity (F- 0.82, P-0.37), compensation and promotion based on performance (F-12.07, P-0.00), training and development (F-11.07, P-0.00), and broadly defined job description (F-15.30, P-0.00). The private sector commercial banks are found in the better state of all the HRM practices except job security (Mean- Public- 4.17, Private- 4.06). This result is

consistent with an Indian study where Kour and Gakhar (2015) revealed that the private sector banks are ahead of the public sector banks regarding the implementation of innovative HRM practices.

Descriptive Analysis of Organizational Learning Capability

OLC has been studied as the mediating variable between HRM practices and OP. It is measured as three dimensional construct namely commitment to learning and empowerment, system perspective and clarity of purpose and mission and openness and experimentation. Like HRM, each dimension is measured as latent variable comprising a number of items. The result of descriptive statistics related to OLC is presented in table16.

Table16

Descriptive Analysis of OLC Dimensions

OLC Dimensions	No of Items	Mean			St. Dev.	F	Sig
		Public	Private	Total			
Commitment to Learning and Empowerment	4	3.50	3.78	**3.70**	1.17	2.91	0.09
System Perspective and Clarity of Purpose and Mission	4	3.36	3.68	**3.59**	1.04	5.11	0.03
Openness and Experimentation	4	3.22	3.75	**3.61**	1.07	12.87	0.00

N: Public- 69, Private- 183, Total-252. The details of individual items under these dimensions are presented in appendices table B1 to B3.

The descriptive analysis of OLC dimensions reveals that all the dimensions namely commitment to learning and empowerment (Mean-3.70, SD-1.17), system

perspective and clarity of purpose and mission (Mean-3.59, SD-1.04) and openness and experimentation (Mean-3.61, SD-1.07) are perceived unsatisfactory by the employees in Nepalese commercial banks (Mean<4). Both types of banks (public and private) are found to have unsatisfactory state of all three dimensions of OLC.

The private commercial banks are found to have better practice of OLC than the public banks in all three dimensions. However, such difference is not significant with commitment to learning and empowerment (F-2.91, P-.09) and system perspective and clarity of purpose and mission (F-5.11, P-0.03). Significant difference between the public and private commercial bankswith openness and experimentation (F-12.87, P-0.00)can be noticed.

The descriptive analysis clearly reveals that OLC of Nepalese commercial banks is poor. It indicates that knowledge development within the banks is slow. They are found to give less priority to empowering the employees for learning. They are not found to focus on the development of learning meachanism, culture and strategy. It indicates they still do not take learning as a way of organizational survival.

Descriptive Analysis of Organizational Performance

OP is measured as a two dimensional contruct namely market performance and employee commitment. Each item under the OP dimensions is measured through a seven point Likert scale rated in comparison to key competitors. The descriptive analysis also attempts to find whether any significant difference in perceived OP exists

between the public and privately owned commercial banks. Table17 presents the result of descriptive analysis of OP.

Table 17

Descriptive Analysis of OP Dimensions

OLC Dimensions	No of items	Mean			St. Dev.	F	Sig
		Public	Private	Total			
Market performance	6	4.62	4.96	**4.86**	0.91	6.81	0.01
Employee commitment	7	4.67	4.89	**4.83**	0.83	3.67	0.06

N: Public- 69, Private- 183, Total-252. The details of individual items under these dimensions are presented in appendices table C1 and C2.

The descriptive analysis of OP construct reveals that both the dimensions of OP namely market performance (Mean- 4.86, SD-0.91) and employee commitment (Mean- 4.83, SD- 0.83) are perceived satisfactory by the employees in Nepalese commercial banks (Mean>4). Both types of banks (public and private) are found to have satisfactory level of both the dimensions of OP used in this study. The private commercial banks are found to have slightly better level of both the dimensions. Such differences are significant with market performance (F- 6.81, P-0.01). No significant difference is found between them in employee commitment (F- 3.67, P-0.06).

Structural Equation Model of Human Resource Management, Organizational Learning Capability and Organizational Performance

This study is primarily related to exploring the relationship of HRM with OP from the perspective of OLC. The multivariate statistical technique called structural equation modeling has been used to attain the study objectives. There are two components of the structural equation model.

a. **The measurement model:** It is that component of the general model in which latent variables are prescribed. The measurement models of HRM, OLC and OP are built through first order and second order CFA.

b. **The structural model**: It presents the graphical relationship among the study constructs i.e. HRM, OLC and OP. It is finally used to test the research hypotheses.

The Measurement Model of the Study Constructs

Introduction

This study is concerned with exploring the direct and indirect relationship of HRM with OP from the perspective of OLC. Hence, it has three main constructs which are measured through a number of dimensions. Further, each dimension is measured through a number of items which are taken from the extant literatures. For example, HRM is the main latent construct which is measured through eight dimensions from selective hiring to broadly defined job description. Again, selective hiring is measured

through six measured items. The measurement models of the study constructs and dimensions are developed and evaluated for their reliability and validity.

The development of the measurement model of the study constructs is achieved at two levels- exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

EFA of HRM practices, OLC and OP are done to extract the latent factors or dimensions from the measured items. CFA is used to test whether measures of a construct are consistent with a researcher's understanding of the nature of that construct (or factor). CFA is done at two levels.

The first order CFA involves development and evaluation of measurement model of different dimensions of HRM practices (Eight dimensions), OLC (Three dimensions), and OP (Two dimensions). The first order factors are latent since they are formed through a number of measured items. The main objective first order CFA is to check the unidimensionality of each dimension of the constructs. The first order CFA follows the second order CFA.

The second order CFA is employed to confirm that the theorized dimensions of HRM practices, OLC and OP loads into their respective constructs. Like the first order factor, the second-order factors are also completely latent and unobservable.

Before conducting EFA, some conditions were checked. The missing values are checked before running the EFA and CFA. One approach to handling missing data is to

substitute the variable mean for all missing values on that variable. This is a very common approach, and it is still an option for handling missing data in many procedures, such as factor analysis, in SPSS and other software packages. Following this, the missing values are replaced with the average value of the items.Likewise, the Mahalanobis distance (Mahalanobis, 1936) statistics ($p<0.05$) is calculated to identify the multivariate outliersbefore conducting the second order CFA. The Mahalanobis distance is a generalization of the distance concept to P dimensional correlated data. It uses an appropriate covariance matrix to take account of differences in variable variances and correlations between variables. It is frequently employed in multivariate statistical methods.Four outlier responses were detected and removed from further analysis.

The Measurement Model of Human Resource Management Practices

Exploratory factor analysis of human resource management practices.EFA of HRM is done to extract the latent factors from the measured variables. It is necessary to conduct EFA for HRM practices as the items representing different dimensions were taken from different researchers.

The result of the EFA of HRM has been discussed in the following section.

Table18

Exploratory Factor Analysis of HRM

	Training and development	Compensation and promotion based on performance	Internal career opportunity	Broadly defined job description	Job security	Workers' involvement in problem solving	Teamwork	Selective hiring	Communalities
Cronbach's α	**0.914**	**0.910**	**0.908**	**0.890**	**0.875**	**0.854**	**0.883**	**0.853**	
Eigen value	13.985	3.116	2.446	2.224	1.917	1,608	1.352	1.616	
% of variance explained (Total- 77.61%)	37.99	8.42	6.61	6.01	5.18	4.345	3.655	3.138	
SEHIR1								0.618	0.689
SEHIR2								0.656	0.705
SEHIR3								0.784	0.715
SEHIR5								0.573	0.694
SEHIR4								0.623	0.592
SEHIR6								0.562	0.698
TEAM1	0.425								0.547
TEAM2							0.738		0.801
TEAM3							0.788		0.807
TEAM4							0.620		0.693
TEAM5							0.647		0.727
TEAM6							0.679		0.749
WORINV1						0.643			0.671
WORINV2						0.689			0.704
WORINV3						0.775			0.747
WORINV4						0.797			0.747
COMP1		0.828							0.846
COMP2							0.325		0.453
COMP3		0.325							0.547

	1	2	3	4	5	6	7	
COMP4		0.847						0.841
COMP5		0.785						0.795
COMP6		0.716						0.721
COMP7		0.676						0.688
INTCAR1			0.791					0.798
INTCAR2			0.744					0.804
INTCAR3			0.664					0.704
INTCAR4			0.757					0.785
TRAIN1	0.853							0.789
TRAIN2	0.727							0.798
TRAIN3	0.838							0.824
TRAIN4	0.351							0.452
TRAIN5	0.849							0.846
TRAIN6	0.609							0.651
JOBSEC1					0.671			0.670
JOBSEC2					0.772			0.787
JOBSEC3					0.819			0.820
JOBSEC4					0.791			0.786
JOBDES1				0.842				.824
JOBDES2				0.830				.850
JOBDES3				0.813				.822
JOBDES4				0.761				.620
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy								0.915
Bartlett's Test of Sphericity	Approx. Chi-Square							7363.556
	DF							666
	Sig.							0.000
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.								

As outlined in table 18, eight factors of HRM Practices are extracted, that accounted for 77.61% of total variance explained. The Bartlett's Test of Sphericity ($p<0.001$) shows that the factor model is highly appropriate (Norusis,1994). The KMO measure of sampling adequacy (0.915) is above the cut point of 0.6 (Norusis,1994). It shows that the samples are adequate for factor model. Eigenvalues of the factors range from 1.616 to 13.985.

In the initial application, the number of items is reduced from 41 to 37. In all, 41 items measuring HRM practices, four are removed because of their low loadings to any factor or cross loadings to other factors. In the second application, these 37 items are classified under eight factors namely selective hiring, teamwork, workers' involvement in problem solving, compensation and promotion based on performance, internal career opportunities, training and development, job security and broadly defined job description.The classification is similar as the questionnaire items and as presented in the descriptive analysis.

Table 18also shows all the factors have Cronbach's α value higher than 0.7 (0.853 to 0.914). It shows the factors are reliable. The loadings of each item are greater than 0.50 and averaging out to greater than 0.70 for each factor. It shows the factors have high convergent validity. The inter factor correlations (Table 19) are less than 0.7 which support the discriminant validity (Gaskin & Lim, 2016). It shows the extracted factors of HRM represent different concepts. All the factors are meaningful, useful and conceptually sound. Hence, the factors bear face validity as well.

Table19

Factor Correlation Matrix of HRM Practices

Factors	Training and development	Compensation and promotion based on performance	Internal career opportunity	Broadly defined job description	Job security	Workers' involvement in problem solving	Teamwork	Recruitment
Training and development	1.000							
Compensation and promotion based on performance	0.339	1.000						
Internal career opportunity	0.420	0.471	1.000					
Broadly defined job description	0.294	0.341	0.511	1.000				
Job security	0.257	0.473	0.414	0.248	1.000			
Workers' involvement in problem solving	0.210	0.311	0.175	0.129	0.441	1.000		
Teamwork	0.343	0.454	0.551	0.359	0.479	0.421	1.000	
Recruitment	0.353	0.461	0.459	0.451	0.441	0.340	0.514	1.000

Confirmatory factor analysisof human resource management. Eight different

dimensions of HRM are supported from EFA. This section of data analysis attempts to

provide the model fit test of each HRM dimensions. This is achieved through CFA

which is a theory testing approach.

The test of HRM scale/theory is achieved through two steps. In the first step,

first order CFA of eight HRM dimensions is done to test the unidemensionality.

Unidemnsionality assesses whether different items of the individual dimensions of

HRM truly represent them. For example, it assesses whether the six observed items of selective hiring are reliable and valid to constitute the dimension. Finally, the second order CFA is done to test the factor model of HRM representing the eight dimensions.

Different model fit indices are used to assess the model fit. They are chi-sqaure degree of freedom (CMIN/DF), average variance extracted (AVE), comparative fit index (CFI), standardize root mean square residual (SRMR), root mean square error of approximation (RMSEA) and composite reliability (CR). Further, modification indices (MI) and standardised regression weights are used to improve the model fit.

*Initial model fit and modification in human resource management dimensions- first order confirmatory factor analysis.*This section of data analysis presents the key findings of initial measurement model of HRM dimensions using first order CFA. The main aim of first order CFA is to check the model fit of individual dimension of HRM called unidimensionality and evaluate a data set by confirming the underlying structure on the basis of theoretical ground (Mueller, 1996). This further suggests simplification, modification and refinement in the measurement model for theory testing and examining the level of fit.

MIs are examined during evaluation of model fit to get the direction of modification. MIs are comprised of variances, covariances and regression weights. Freeing or incorporating parameters either between or among unobserved variables i.e. error terms is done to obtain better model fit. Under unacceptable but converged and proper situation, relating or deleting the indicator from the model are the preferred basic

ways to respecify the model (Anderson and Gerbing, 1988). It shows item deleting and

adding a new path indicator are the best ways to get a better model fit. Keeping all these

issues in consideration, the measurement model of each dimension of HRM are

discussed in the following section.

*Selective hiring: initial findings.*The initial inspection of six items of selective

hiring reveals that all the model fit indices are below the accepted recommended

threshold levels. They are CMIN/DF (19.790), RMSEA (0.276), CFI (0.770) and

SRMR (0.153).

Table20

Selective Hiring: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
SEHIR1	Application pool	0.846	0.844
SEHIR2	Analysis of critical skill	0.480	-
SEHIR3	Analysis of attitude	0.583	0.500
SEHIR4	Analysis of cultural fit	0.479	-
SEHIR5	Systematic and formal ways of selection test	0.789	0.796
SEHIR6	Systematic and formal ways of interview	0.845	0.886

Achieved Fit Indices						
Mode of analysis	**CMIN/DF** <3	**AVE** >0.5	**CFI** >0.9	**SRMR** <0.08	**RMSEA** <0.06	**CR** >0.7
Initial	19.790	0.484	0.770	0.153	0.276	0.843
Final	1.694	0.595	0.997	0.022	0.053	0.850
Composite Construct Reliability:0.850						

The initial CFA of selective hiring revealed that SEHIR2 (Analysis of critical skills) and SEHIR4 (Analysis of cultural fit) are found to have loadings below the acceptable threshold level of 0.5 (Gaskin & Lim, 2016). Hence, they are removed. It seems the respondents may not have understood these items.

The final model revealed that all the factors loading of the remaining four items are above 0.5, and model fit indices CMIN/DF (1.694), CFI (0.997), SRMR (0.022), RMSEA (0.053) are all above recommended threshold levels. The final composite reliability for this construct is 0.85 which is well above the acceptable level of 0.7 (Hair, Anderson, Tatham & Black, 1995). The AVE by these four items i.e. 0.595 is above the recommended threshold of 0.5 (Hu and Bentler, 1999). This indicates that the retained four items can be considered reliable as well as valid for the measurement of selective hiring.

*Teamwork: initial findings.*The primary outcome from five items model of teamwork reveals two model fit indices CMIN/DF (11.507) and RMSEA (0.206) are below the recommended threshold levels. Other model fit indices namely CFI (0.927) and SRMR (0.067) are at satisfactory state.

Examination of the MIs reveal that TEAM4 (Information sharing) has high standardized residual covariances with TEAM5 (Satisfaction level while working in team) and TEAM6 (Team spirit). The item asked the respondent 'Information is freely shared among the organizational members' is slightly different from others. Other items are related to team ownership, team cooperation, satisfaction while working in team and

team spirit. It is also possible that the respondents may be confused with their understanding of the nature of information shared among the members. Therefore, based on item content evaluation as well as statistical basis, TEAM4 (Information sharing) is removed from teamwork construct and the model is re-evaluated.

Table21

Teamwork: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
TEAM2	Feeling being a part of the team (Team ownership)	0.810	0.815
TEAM3	Cooperation within and between teams	0.866	0.725
TEAM4	Information sharing	0.640	
TEAM5	Satisfaction level while working in team	0.799	0.815
TEAM6	Team spirit	0.760	0.725
Achieved Fit Indices						
Mode of analysis	CMIN/DF <3	AVE >0.5	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR >0.7
Initial	11.934	0.606	0.927	0.067	0.202	0.884
Final	0.546	0.655	1.000	0.010	0.000	0.883
Composite Construct Reliability:0.883						

The final model revealed that all the factors loading of the remaining four items are above 0.5, and model fit indices CMIN/DF (0.546), CFI (1.000), SRMR (0.010) and

RMSEA (0.000) are all above recommended threshold levels. The final composite

reliability for this construct is 0.883 which is well above the acceptable level of 0.7. The

AVE by these four items i.e. 0.655 is also above the recommended threshold of 0.5.

This indicates that the retained four items can be considered reliable as well as valid for

the measurement of teamwork.

*Workers' involvement in problem solving: initial findings.*The initial result from

four items of workers' involvement in problem solvingmodel of CFA of this construct

revealed all the model fit indices (CMIN/DF-0.322, CFI-1, SRMR-0.009, RMSEA-

0.00) used to test the model are above the recommended threshold levels.

Table22

Workers' Involvement in Problem Solving: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
WORINV1	Involvement in problem solving	0.710	0.710
WORINV2	Involvement in decision affecting one's job	0.808	0.808
WORINV3	Considerations by supervisor in decision making	0.859	0.859
WORINV4	Sharing by workers at multiple level	0.719	0.719

Achieved Fit Indices						
Mode of analysis	CMIN/DF <3	AVE >0.5	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR >0.7
Initial	0.322	0.603	1	0.009	0.00	0.858
Final	0.322	0.603	1	0.009	0.00	0.858
Composite Construct Reliability: 0.858						

All the model fit indices as obtained from the primary model are reasonable. Hence, it is not necessary to modify this model. The final model revealed that all the factors loading of the four items representing workers' involvement in problem solving are above 0.7. The composite reliability for this construct is 0.858 which is well above the acceptable level of 0.7. The AVE by these four items i.e. 0.603 is above the recommended threshold of 0.5. This indicates that the four items can be considered reliable as well as valid for the measurement of workers' involvement in problem solving.

*Compensation and promotion based on performance: initial findings.*The primary model of compensation and promotion based on performance with five items showed RMSEA (0.119) is below the recommended threshold level. However, other fit measures namely CMIN/DF (4.490), CFI (0.979) and SRMR (0.035) are above the recommended threshold levels.

Table23

Compensation and Promotion based on Performance: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
COMP1	Promotion based on performance	0.895	0.908
COMP4	Favoristism not a problem	0.900	0.905
COMP5	Pay according to performance	0.846	0.831
COMP6	Sense of personal accomplishment	0.738	
COMP7	Competitive pay	0.702	0.688
Achieved Fit Indices						
Mode of analysis	**CMIN/DF** <3	**AVE** >0.5	**CFI** >0.9	**SRMR** <0.08	**RMSEA** <0.06	**CR** >0.7
Initial	4.490	0.673	0.979	0.035	0.119	0.911
Final	0.627	0.702	1.000	0.008	0.000	0.903
Composite Construct Reliability:0.903						

The initial inspection of MI revealed that there is a high standardize residual covariance of COMP6 (Sence of personal accomplishment) with all other itmes except COMP5 (Pay according to performance) Therefore, COMP6 (Pay according to performance) is removed from the construct teamwork.

The modified model showed all the model fit indices are well above the acceptable threshold levels (CMIN/DF- 0.627, CFI-1, SRMR- 0.008 and RMSEA- 0.00). The final model revealed that all the factors loading of the four items are close to

0.7. The CR for this construct is 0.903 which is well above the acceptable level of 0.7. The average variance explained (AVE) by these four items i.e. 0.702 is above the recommended threshold of 0.5. This indicates that the four items can be considered reliable as well as valid for the measurement of compensation and promotion based on performance.

*Internal career opportunity: initial findings.*The primary model of internal career opportunity with four items showed the all the model fit indices namely CMIN/DF (3.112), CFI (0.994) and SRMR (0.018) are above the recommended threshold levels except RMSEA (0.092).

Table24

Internal Career Opportunities: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings			
INTCAR1	Opportunity to advance career	0.850	0.850			
INTCAR2	Organizational dedication for career advancement	0.883	0.883			
INTCAR3	Feedback by supervisor on career advancement	0.789	0.789			
INTCAR4	Development of leaders within the organization	0.856	0.856			
Achieved Fit Indices						
Mode of analysis	**CMIN/DF <3**	**AVE >0.5**	**CFI >0.9**	**SRMR <0.08**	**RMSEA <0.06**	**CR >0.7**
Initial	3.112	0.714	0.994	0.018	0.092	0.909
Final	3.112	0.714	0.994	0.018	0.092	0.909
Composite Construct Reliability:0.909						

The model may be accepted irrespective of poor RMSEA since it is very close to the acceptable threshold level (<0.06). It may also be tolerated since other model fit indices are satisfactory. The final model revealed that all the factors loading of the four items are above 0.5. The final composite reliability for this construct is 0.909 which is well above the acceptable level of 0.7. The AVE by these four items i.e. 0.714 is above the recommended threshold of 0.5 (Hu and Bentler, 1999). This indicates that the four items can be considered reliable as well as valid for the measurement of internal career opportunities.

*Training and development: initial findings.*The primary model with six items of training and development shows the three model fit measures namely CMIN/DF (4.024), CFI (0.983) and SRMR (0.030) are well above the recommended threshold levels. However, RMSEA (0.111) was not in satisfactory state.

The initial inspection of modification indices revealed that there is a high standardize residual covariance between TRAIN5 (Relevancy of training) and TRAIN6 (Availability of training opportunities). Hence, they are made parameter free to each other to improve the model fit. Likewise, TRAIN4 (Identificaton of training needs) was removed due to low loading.

Table25

Training and Development: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
TRAIN1	In-house training	0.806	0.813
TRAIN2	Opportunities for growth and development	0.860	0.863
TRAIN3	Effectiveness of training	0.880	0.891
TRAIN4	Identification of training needs	0.423	
TRAIN5	Relevancy of training	0.890	0.873
TRAIN6	Availability of training opportunities	0.712	0.675

Achieved Fit Indices						
Mode of analysis	**CMIN/DF** **<3**	**AVE** **>0.5**	**CFI** **>0.9**	**SRMR** **<0.08**	**RMSEA** **<0.06**	**CR** **>0.7**
Initial	4.024	0.693	0.983	0.030	0.111	0.918
Final	1.684	0.683	0.997	0.017	0.053	0.914
Composite Construct Reliability:0.914						

The modified model showed all the model fit indices to be in satisfactory state (CMIN/DF-1.684, CFI-0.997, SRMR-0.017 and RMSEA- 0.053). The final model revealed that all the factors loading of the four items are above 0.5. The final composite reliability for this construct is 0.914 which is well above the acceptable level of 0.7. The AVE by these four items i.e. 0.683 is above the recommended threshold of 0.5. This indicates that the five items can be considered reliable as well as valid for training and development measures.

Job security: initial findings. The primary model of job security with four items showed the two fit measures namely CMIN/DF (10.752) and RMSEA (0.199) are below the accepted threshold levels. However, other fit measures namely CFI (0.965) and SRMR (0.052) are in the satisfactory state.

The initial inspection of modification indices revealed that there is a high standadised covariance between JOBSEC1 (Not worry about job loosing) and JOBSEC2 (Employees as critical assets). Hence, they are made parameter free to each other in order to improve the model fit.

Table26

Job Security: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
JOBSEC1	Not worry about job loosing	0.617	0.576
JOBSEC2	Employees as critical assets	0.794	0.771
JOBSEC3	Expression of opinion freely	0.899	0.915
JOBSEC4	Commitment of management not to lay off employees	0.870	0.871
Achieved Fit Indices			

Mode of analysis	CMIN/DF <3	AVE >0.5	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR >0.7
Initial	10.752	0.644	0.965	0.052	0.199	0.877
Final	1.947	0.630	0.998	0.012	0.062	0.869
Composite Construct Reliability:0.869						

The modified model showed all the model fit indices to be well above the accepted threshold levels (CMIN/DF-1.947, CFI-0.998, SRMR-0.012, and RMSEA-0.062). The final model revealed that all the factors loading of the four items are above 0.5. The final composite reliability for this construct is 0.869 which is well above the acceptable level of 0.7. The AVE by these four items i.e. 0.683 is above the recommended threshold of 0.5. This indicates that the four items of job security can be considered reliable as well as valid for the measurement of the dimension.

*Broadly defined job description: initial findings.*The primary model of broadly defined job descriptionwith four items showed the all the fit measures namely CMIN/DF (2.36), CFI (0.996), SRMR (0.023) and RMSEA (0.074) are above the acceptable thresholds.

Table27

Broadly Defined Job Description: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings			
JOBDES1	Clear about job duties	0.899	0.899			
JOBDES2	Skill and qualification in the job description	0.913	0.913			
JOBDES3	Matching of job and skills	0.824	0.824			
JOBDES4	Purpose of job in job description	0.641	0.641			
Achieved Fit Indices						
Mode of analysis	CMIN/DF <3	AVE >0.5	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR >0.7
Initial	2.360	0.683	0.996	0.023	0.074	0.894
Final	2.360	0.683	0.996	0.023	0.074	0.894
Composite Construct Reliability:0.894						

The final model revealed that all the factors loading of the four items are above 0.5. The final composite reliability for this construct is 0.894 which is well above the acceptable level. The AVE by these four items i.e. 0.683 is above the recommended threshold of 0.5. This indicates that the four items of job description can be considered reliable as well as valid for the measurement of broadness of job description.

Table 28 presents the summary of initial findings of HRM dimensions using CFA.

Table28

Summary of Initial Findings (CFA) of HRM Dimensions

HRM Dimensions	No of items*	CMIN/DF <3	AVE >0.5	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR >0.7	Remarks
Selective hiring	6/4	1.694	0.595	0.997	0.022	0.053	0.850	SEHIR2 (Analysis of critical skills) and SEHIR4 (Analysis of cultural fit) are removed due to low loadings.
Teamwork	5/4	0.546	0.655	1.000	0.010	0.000	0.883	TEAM4 (information sharing) is removed due to high standardized residual covariance.
Workers' involvement in problem solving	4/4	0.322	0.603	1	0.009	0.00	0.858	No modification

Compensation and Promotion based on Performance	5/4	4.490	0.673	0.979	0.035	0.119	0.911	COMP6 (Pay according to performance) is removed due to high standardized residual covariance.
Internal career opportunity	4/4	3.112	0.714	0.994	0.018	0.092	0.909	No modification
Training and development	6/5	1.684	0.683	0.997	0.017	0.053	0.914	TRAIN4 (Identification of training needs) is removed and TRAIN5 (relevancy of training) and TRAIN6 (availability of training opportunities) are made parameter free.
Job security	4/4	1.947	0.630	0.998	0.012	0.062	0.869	JOBSEC1 (not worry about job loosing) and JOBSEC2 (employees as critical assets) are made parameter free.
Job Description	4/4	2.360	0.683	0.996	0.023	0.074	0.894	No modification

* The numerators are initial number of items and denominators are the final items.

Development of human resource management model - second order confirmatory factor analysis. After the assessment of the model fit of each HRM dimension (First order CFA), the second order CFA of the HRM dimensions is conducted.

In first-order CFA model, one level of factors (the first order) that are correlated is specified.It is necessary to see if the eight dimensions of HRM are correlated and structural relationships between the dimensions and the construct exists or not. This is accomplished through a second-order factor model which posits that the first-order factors estimated i.e. HRM dimensions are actually sub-dimensions of a broader and more encompassing second-order factor i.e. HRM (Hair, Bush, & Ortinau, 2003).

The HRM practice is the main construct and the sub-constructs/dimensions are selective hiring, teamwork, workers' involvement in problem solving, compensation and promotion based on performance, internal career opportunities, training and development, job security and broadly defined job description. Here, the main construct HRM is second order construct while the sub-constructs or dimensions are the first order constructs.

*Primary model.*The model fit measures of the overall HRM shows CMIN/DF (2.625) and SRMR (0.082) are at accepatable threshold levels. However, other model fit indices namely CFI (0.879) and RMSEA (0.081) are below the accepatable threshold levels showing the model to be poor. These two poor indices demand the the eight dimensional 33 items model of HRM model should be improved for further analysis. Overall, the results of the CFA analysis indicated a bad fit between the model and the data.

Table29

Primary Model Fit Measures of HRM Practices

Measure	Estimate	Recommended threshold	Interpretation
CMIN	1220.769	--	--
DF	465	--	--
CMIN/DF	2.625	Between 1 and 3	Excellent
CFI	0.879	>0.95	Need More DF
SRMR	0.082	<0.08	Acceptable
RMSEA	0.081	<0.06	Terrible

Interpretation: Gaskin&Lim (2016)

Modified and final model.Since the primary model of second order CFA of HRM showed poor fit, it demanded modification. For this, the model is restructured using the modification indices (MI). Three items from the primary model are removed on ground of item content analysis, MIs and standardized residual covariances. They are items TRAIN5 (Relevancy of training), TRAIN6 (Availability of training opportunities) and JOBDE3 (Matching of job and skills). Finally, 30 items model is tested for reliability, validity and model fit.

The model fit measures of the modified and final model provides a satisfactory result. All the four model fit indices used in this study, CMIN/DF (2.612), SRMR (0.075), CFI (0.0.912) and RMSEA (0.05) are above the recommended threshold levels.

Table30

Final Model Fit Measures of HRM Practices

Measure	Estimate	Recommended threshold	Interpretation
CMIN	982.248	--	--
DF	376	--	--
CMIN/DF	2.612	Between 1 and 3	Excellent
CFI	0.912	>0.95	Acceptable
SRMR	0.075	<0.08	Excellent
RMSEA	0.05	<0.06	Acceptable

Interpretation: Gaskin and Lim (2016)

CRs of all the HRM dimensions are greater than the acceptable limit of 0.70 (Carmines and Zeller, 1988) supporting the reliability of the model. The average-variance extracted for all the factors is >0.5 which is acceptable (Fornell and Larcker, 1981). In addition, the AVE for each construct is > 0.50, which further supports the convergent validity of the constructs (0.597 to 0.724). All the square root of the AVE values of all the HRM dimensions (diagonal values) are greater than the inter-construct correlations (loadings) which supports the discriminant validity of the HRM dimensions (Table 31).

Table31

Final Model Validity Measures of HRM Practices

	CR	AVE	TD	JD	Comp	ICO	JS	TW	WIPS	Rec
TD	0.887	0.724	**0.851**							
JD	0.861	0.680	0.396***	**0.825**						
Comp	0.904	0.704	0.458***	0.332***	**0.839**					
ICO	0.909	0.714	0.606***	0.546***	0.496***	**0.845**				
JS	0.872	0.636	0.301***	0.226**	0.513***	0.486***	**0.797**			
TW	0.884	0.656	0.577***	0.456***	0.462***	0.667***	0.490***	**0.810**		
WIPS	0.858	0.603	0.412***	0.253***	0.489***	0.466***	0.560***	0.595***	**0.776**	
Rec	0.851	0.597	0.480***	0.584***	0.543***	0.599***	0.476***	0.594***	0.489***	**0.773**

Note: TD= Training and Development, JD= Broadness of Job Description, Comp= Compensation and Promotion based on Performance, ICO= Internal Career Opportunity, JS= Job Security, TW= Tamwork, WIPS= Workers' Involvement in Problem Solving, Rec= Recruitment/ selective Hiring

The results of the CFA analysis of 30 items model of HRM indicated a good fit between the model and the data and may be taken as suitable for further structural model. The final model of HRM is presented in figure 2.
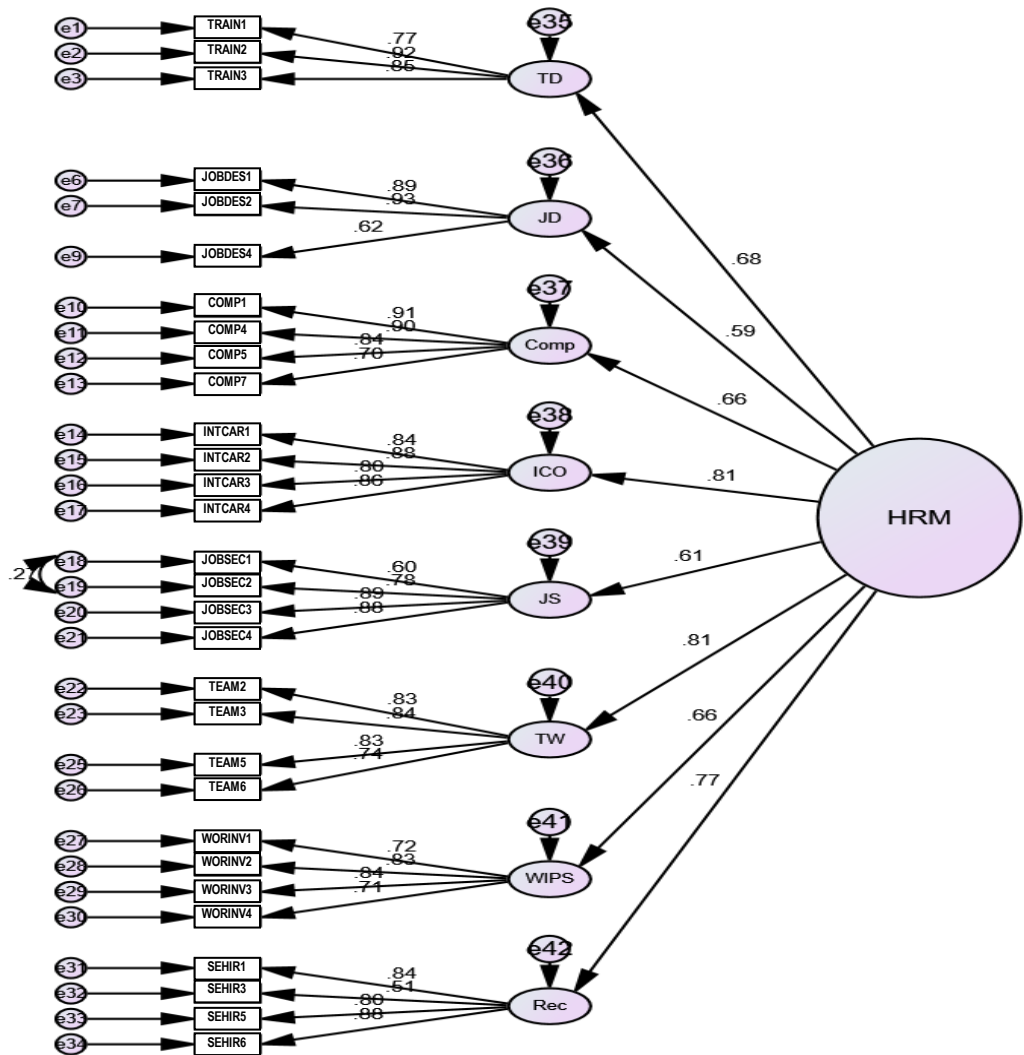
Figure 2. Final measurement model of HRM practices

Note: TD= Training and Development, JD= Broadness of Job Description, Comp= Compensation and Promotion based on Performance, ICO= Internal Career Opportunity, JS= Job Security, TW= Tamwork, WIPS= Workers' Involvement in Problem Solving, Rec= Recruitment/ selective Hiring

Based on the above analysis the final measurement model of HRM Practices with standardized loadings, CR and AVE is presented in table 32.

Table32

Final Measurement Model of HRM Practices

HRM Dimensions	Measurement items	Standardized loading	AVE	CR
HRM	Training and Development	0.675	0.493	0.885
	Broad job description	0.587		
	Compensation and promotion	0.656		
	Internal career opportunity	0.811		
	Job security	0.615		
	Teamwork	0.806		
	Workers' involvement in problem solving	0.660		
	Selective hiring	0.769		
Training and Development	TRAIN1	0.775	0.724	0.887
	TRAIN2	0.918		
	TRAIN3	0.854		
Broad job description	JOBDES1	0.893	0.680	0.861
	JOBDES2	0.926		
	JOBDES4	0.622		
Compensation and promotion	COMP1	0.908	0.704	0.904
	COMP4	0.896		
	COMP5	0.836		
	COMP7	0.702		
Internal career opportunity	INTCAR1	0.843	0.714	0.909
	INTCAR2	0.883		
	INTCAR3	0.798		
	INTCAR4	0.855		
Job security	JOBSEC1	0.602	0.636	0.872
	JOBSEC2	0.781		
	JOBSEC3	0.894		
	JOBSEC4	0.882		
Teamwork	TEAM2	0.833	0.656	0.884
	TEAM3	0.839		

	TEAM5	0.825		
	TEAM6	0.739		
Workers' involvement	WORINV1	0.721	0.603	0.858
	WORINVb	0.829		
	WORINV3	0.838		
	WORINV4	0.707		
Selective hiring	SEHIR1	0.843	0.597	0.851
	SEHIR3	0.511		
	SEHIR5	0.799		
	SEHIR6	0.882		

Table 32 shows that AVE by eight dimensions of HRM is 0.493 which is very close to the acceptable threshold level (0.50), hence the model can be accepted. The CR of HRM as a construct is 0.885 which is also above acceptable threshold levels. Finally, the standardize loadings of all 8 dimensions (0.587 to 0.811) are well above acceptable threshold levels. In concluson, the HRM model with eight dimensions representing 30 items may be accepted for structural model.

This study supports the configurational perspective of HRM that states HRM practices should be 'bundled' to be most effective (Delery and Doty, 1996). The eight different practices of HRM are converged or bundled to form the main construct HRM.

The Measurement Model of the Organizational Learning Capability

Like HRM, the measurement model of Organizational Learning Capability (OLC) is developed and validated based on exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

Exploratory factor analysis of organizational learning capability.EFA was used to identify the underlying dimensions of OLC in Nepalese commercial banks measured through employees' perspective. The 12 items in the questionnaire are analyzed using principal component analysis with varimax rotation.

The theoretical concepts of OLC used in this study are taken from previous studies that provide theoretical justification for the present study. Some of the items were modified to match the OLC of commercial banks. The result of the EFA of OLC has been presented in table 33.

Table33

Exploratory Factor Analysis of Organizational Learning Capability

	System perspective and clarity of purpose and mission	Openness and experimentation	Commitment to learning and empowerment	Communalities
Cronbach's α	0.883	0.894	0.873	
Eigen value	6.036	1.752	1.354	
% of variance explained (Total 76.181%)	50.296	14.603	11.282	
COMMIT1			0.831	0.772
COMMIT2			0.849	0.832
COMMIT3			0.752	0.648
COMMIT4			0.769	0.711
CLARITY1	0.813			0.750
CLARITY2	0.869			0.813
CLARITY3	0.776			0.748
CLARITY4	0.736			0.710

OPEN1	0.447	0.682		0.716
OPEN2		0.878		0.824
OPEN3		0.886		0.821
OPEN4		0.828		0.798
KMO Measure of Sampling Adequacy.				0.862
Bartlett's Test of Sphericity Approx. Chi-Square				2063.193
DF				66
Sig.				0.000

As outlined in table 33, three factors of OLC are extracted, that accounted for 76.181% of total variance explained. The Bartlett's Test of Sphericity (p<0.001) as shown by the above table shows that the factor model is highly appropriate (Norusis,1994). The KMO measure of sampling adequacy (0.862) is above the cut point of 0.6 (Norusis,1994). It shows that the samples are adequate for factor model. All the factors have eigenvalue over one ranging from 1.354 to 6.036.

The 12 items representing different dimensions of OLC are classified under three factors namely commitment to learning and empowerment, system perspective and clarity of purpose and mission and openness and experimentation. The classification was similar as the questionnaire items and as presented in the descriptive analysis.

Table 33 shows all the factors have Cronbach's α value higher than 0.7 (0.873 to 0.894). It shows the factors are reliable. The loadings of each are item greater than 0.50 and averaging out to greater than 0.70 for each factor. It shows the factors have high

convergent validity.The correlations between the factors are less than 0.7 (Table 34) which satisfies discriminant validity (Gaskin and Lim, 2016).

Table 34

Factor Correlation Matrix of Organizational Learning Capability

Factors	Openness and experimentation	Commitment to learning and empowerment	System perspective and clarity of purpose and mission
Openness and experimentation	1.000		
Commitment to learning and empowerment	0.447	1.000	
System perspective and clarity of purpose and mission	0.524	0.424	1.000

Confirmatory factor analysis of organizational learning capability. The test of OLC scale/theory is achieved through two steps. In the first step, first order CFAs of three OLC dimensions obtained through EFA are done to test the unidemensionality. Finally, the second order CFA is done to test the factor model of OLC representing different dimensions.

*Initial model fit and modification in organizational learning capability dimensions -first order confirmatory factor analysis.*OLC is measured as three dimensional construct namely commitment to learning and empowerment, system perspective and clarity of purpose and mission and openness and experimentation. This section of data analysis presents the keyfindings of initial measurement model of OLC dimensions extracted from EFA.

*Commitment to learning and empowerment: initial findings.*The initial analysis of four items of commitment to learning and empowermentrevealed three model fit indices namely CMIN/DF (3.960), CFI (0.989), SRMR (0.028) and RMSEA (0.06) are found above the recommended threshold levels.

Table 35

Commitment to Learning and Empowerment: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings			
COMMIT1	Encouragement of management for risk and experimentation	0.815	0.815			
COMMIT2	Strategy to build learning culture	0.930	0.930			
COMMIT3	Interrelationship between learning and organizational goals	0.693	0.693			
COMMIT4	Empowerment of employees for learning	0.758	0.758			
Achieved Fit Indices						
Mode of analysis	CMIN/DF <3	AVE >0.5	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR >0.7
Initial	3.960	0.646	0.989	0.028	0.06	0.878
Final	3.960	0.646	0.989	0.028	0.06	0.878
Composite Construct Reliability: 0.878						

The primary model of commitment to learning and empowerment may be regarded as satisfactory on ground of three acceptable model fit indices. The final model revealed that all the factors loading of the four items are above 0.7. The composite reliability for this construct is 0.878 which is well above the acceptable level

of 0.5. The AVE by these four items i.e. 0.646 is above the recommended threshold of 0.5. This indicates that the four items of commitment to learning and empowermentcan be considered reliable as well as valid for the measurement of the dimension.

*System perspective and clarity of purpose and mission: initial findings.*The initial analysis of system perspective and clarity of purpose and mission with four items revealed two model fit indices namely CMIN/DF (15.323) and RMSEA (0.241) are below the acceptable threshold levels. The other two fit indices CFI (0.949) and SRMR (0.052) are found above the acceptable thresholds. Overall the primary model of system perspective and clarity of purpose and mission needed some improvements.

Table 36

System Perspective and Clarity of Purpose and Mission: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings			
CLARITY1	Clarity of vision and mission	0.800	0.748			
CLARITY2	Clear understanding of the organization as a system	0.865	0.899			
CLARITY3	Understand the gap between current and desired state	0.829	0.843			
CLARITY4	Commitment towards building shared vision	0.745	0.680			
Achieved Fit Indices						
Mode of analysis	**CMIN/DF** **<3**	**AVE** **>0.5**	**CFI** **>0.9**	**SRMR** **<0.08**	**RMSEA** **<0.06**	**CR** **>0.7**
Initial	15.323	0.658	0.949	0.052	0.241	0.885
Final	3.297	0.635	0.996	0.013	0.06	0.873
Composite Construct Reliability: 0.873						

The MIs revealed that there is a high standardize residual covariance between CLARITY1 (Clarity of vision and mission) and CLARITY4 (Commitment towards building shared vision). Hence, they are made parameter free to each other to improve the model.

The final model revealed that all the factors loading of the four items are above 0.5. The final composite reliability for this construct is 0.873 which is well above the acceptable level of 0.7. The AVE by these four items i.e. 0.635 is above the recommended threshold of 0.5 (Hu and Bentler, 1999).This indicates that the four items of system perspective and clarity of purpose and mission can be considered reliable as well as valid for this dimension measure.

Openness and experimentation: initial findings. The initial analysis of openness and experimentation measured with four items revealed all the model fit indices namely CMIN/DF (0.872), CFI (1.000), SRMR (0.012) and RMSEA (0.000) are well above the acceptable threshold levels.

Table 37

Openness and Experimentation: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
OPEN1	Enjoyment in new ways of jobs	0.742	0.742
OPEN2	Freedom to take risk	0.865	0.865
OPEN3	Structural support for experimentation	0.880	0.880
OPEN4	Compensation for innovation and risk taking	0.816	0.816
Achieved Fit Indices						
Mode of analysis	**CMIN/DF** **<3**	**AVE** **>0.5**	**CFI** **>0.9**	**SRMR** **<0.08**	**RMSEA** **<0.06**	**CR** **>0.7**
Initial	0.872	0.685	1.000	0.012	0.000	0.896
Final	0.872	0.685	1.000	0.012	0.000	0.896
Composite Construct Reliability: 0.896						

The model revealed that all the factor loadings of the four items are above 0.7. The final composite reliability for this construct is 0.896 which is well above the acceptable level of 0.7. The average variance explained (AVE) by these four items i.e. 0.685 is above the recommended threshold of 0.5. This indicates that the four items of openness and experimentation can be considered reliable as well as valid for this construct measure. Table 38 presents the summary of initial model fit of OLC using CFA.

Table 38

Summary of Initial Findings of Organizational Learning Capability Using Confirmatory Factor Analysis

OLC Dimensions	Number of items	CMIN/DF <3	AVE	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR	Remarks
Commitment to learning and empowerment	4	3.960	0.646	0.989	0.028	0.06	0.878	No modification
System perspective and clarity of purpose and mission	4	3.297	0.635	0.996	0.013	0.06	0.873	CLARITY1 (clarity of vision and mission) and CLARITY4 (commitment towards building shared vision) are made parameter free.
Openness and experimentation	4	0.872	0.685	1.000	0.012	0.000	0.896	No modification

Development of organizational learning capability model - second order confirmatory factor analysis. After the assessment of the model fit of each OLC dimensions (first order CFA), the second order CFA of OLC construct is conducted. This assesses whether the OLC dimensions are correlated and structural relationships between them and the main construct OLC exists or not. It posits that the first-order factors or diemnsions (OLC dimensions) are actually sub-dimensions of a broader and more encompassing second-order factor (OLC).

*Primary model.*The second order CFA of OLC is done to check whether the

three dimensions with 12 itemsof OLC (Commitment to learning and empowerment,

system perspective and clarity of purpose and mission and openness and

experimentation) are valid and reliable to represent the main construct OLC.

Out of the four model fit indices used in this study, CMIN/DF (5.511), CFI

(0.887) and RMSEA (0.135) are showing poor fit. Hence, the 12 items model of OLC

demands further modification.

Table 39

Primary Model Fit Measures

Measure	Estimate	Recommended threshold	Interpretation
CMIN	281.036	--	--
DF	51	--	--
CMIN/DF	5.511	Between 1 and 3	Terrible
CFI	0.887	>0.95	Need More DF
SRMR	0.084	<0.08	Acceptable
RMSEA	0.135	<0.06	Terrible

Interpretation: Gaskin and Lim (2016)

*Modifiedandfinal model.*Since the primary model of second order CFA of 12

items of OLC showed poor fit, it is modified for improvement. For this, the model is

restructured using the MIs and final model of OLC is developed. Two items from the

primary model of OLC dimensions are removed on ground of item content analysis,

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MIs and standardized residual covariances. They are items COMMIT4 (Empowerment of employees for learning) and CLARITY4 (Commitment towards building shared vision). Finally, the 10 items model is tested for reliability, validity and model fit.

The model fit measures of the model provides a satisfactory result. CMIN/DF (4.993), SRMR (0.079), RMSEA (0.052), CFI (0.918)are above the recommended threshold levels and the model can be used for further analysis.

Table 40

Model Fit Measures

Measure	Estimate	Recommended threshold	Interpretation
CMIN	159.760	--	--
DF	32	--	--
CMIN/DF	4.993	Between 1 and 3	Acceptable
CFI	0.918	>0.95	Acceptable
SRMR	0.079	<0.08	Excellent
RMSEA	0.052	<0.06	Acceptable

Interpretation: Gaskin and Lim (2016)

CRs of all the latent variables (0.870 to 0.897) are greater than the acceptable limit of 0.70. The average-variance extracted for all the factors is >0.5 which are acceptable. In addition, the AVE for each construct is > 0.50, which further supports the convergent validity of the constructs (0.692 to 0.687). All the square root of the AVE

values of all the OLC factors (diagonal values) are greater than the inter-construct

correlations (loadings) which supports the discriminant validity of the constructs.

Table 41

Final Model Validity Measures of Organizational Learning Capability

OLC Dimensions	CR	AVE	System Perspective and Clarity of Purpose and Mission	Commitment to learning and empowerment	Openness and Experimentation
System Perspective and Clarity of Purpose and Mission	0.870	0.692	**0.832**		
Commitment to learning and empowerment	0.897	0.687	0.465***	**0.829**	
Openness and Experimentation	0.844	0.644	0.674***	0.483***	**0.803**

The results of the CFA analysis of 10 items model of OLC indicated a good fit

between the model and the data and may be taken as suitable for further structural

model. Figure 3 presents the final model of OLC.
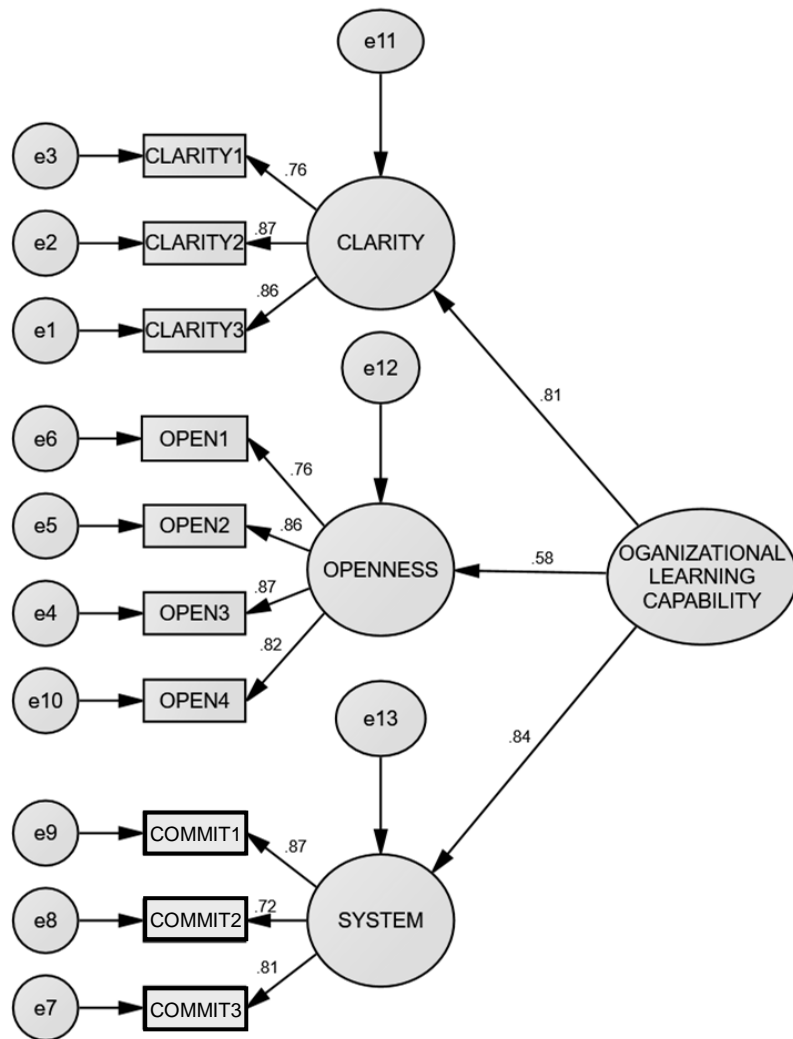
Figure 3. Final measurement model organizational learning capability

Based on the above analysis the final measurement model of OLC with standardized loadings, CR and AVE is presented in table 42.

Table 42

Final Measurement Model of OLC

Construct	Measurement items	Standardize loading	AVE	CR
OLC	System perspective and clarity of purpose and mission	0.806	0.561	0.789
	Openness and experimentation	0.578		
	Commitment to learning and empowerment	0.836		
System perspective and clarity of purpose and mission	CLARITY1	0.759	0.692	0.870
	CLARITY2	0.868		
	CLARITY3	0.864		
Openness and experimentation	OPEN1	0.763	0.687	0.897
	OPEN2	0.857		
	OPEN3	0.868		
	OPEN4	0.823		
Commitment to learning and empowerment	COMMIT1	0.869	0.644	0.844
	COMMIT2	0.720		
	COMMIT3	0.812		

Table 42 shows that AVE by three dimensions of OLC is 0.561 which is above the acceptable threshold level (0.50). The CR of OLC as a construct is 0.789 which is also above acceptable threshold level. Finally, the standardize loadings of all three dimensions (0.578 to 0.836) are well above acceptable threshold levels. In conclusion, the OLC model with three dimensions representing 10 items may be accepted for structural model.

The Measurement Model of Organizational Performance

Like HRM and OLC, the measurement model of OP is also developed and validated based on exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

Exploratory factor analysis of organizational performance.EFA was used to identify the underlying dimensions of OP in Nepalese commercial banks from employees' perspective. The 13 items in the questionnaire were analyzed using principal component analysis with varimax rotation.

The theoretical concepts of OP were taken from previous studies that provide theoretical justification for the present study. Some of the items were modified to match the organizational performance of Nepalese commercial banks. The result of the EFA of organizational performance has been presented in the table43.

Table 43

Exploratory Factor Analysis of Organizational Performance

	Market performance	**Employee commitment**	**Communalities**
Cronbach's α	0.909	0.918	
Eigen value	6.16	2.272	
% of variance explained (Total- 70.27%)	51.336	18.931	
MARPER1		0.661	0.492
MARPER2		0.847	0.757
MARPER3		0.844	0.763
MARPER4		0.858	0.752
MARPER5		0.824	0.708
MARPER6		0.794	0.692
EMPCOM1	0.756		0.635
EMPCOM2		0.356	0.254
EMPCOM3	0.770		0.637
EMPCOM4	0.827		0.705
EMPCOM5	0.815		0.704
EMPCOM6	0.864		0.788
EMPCOM7	0.871		0.799
KMO Measure of Sampling Adequacy.			0.879
Bartlett's Test of Sphericity	Approx. Chi-Square		2277.678
	DF		66
	Sig.		0.000

The Bartlett's Test of Sphericity (p<0.001) as shown by the above table shows that the factor model of organizational performance was highly appropriate. The KMO measure of sampling adequacy (0.879) is above the cut point of 0.6. It shows that the samples are adequate for factor model. The organizational performance measures were found to be highly reliable. Both the factors of organizational performance showed high reliability, with α coefficients higher than 0.90 (0.909 and 0.918). In all 13 items measuring OP, EMPCOM2 (Happy to spend rest of career in this organization) is found to have cross loadings to other factor. Hence, this item is dropped from further analysis.

The convergent validity of the items that composed each factor of OP was also analyzed based on Pasquali (2008). All other items have their respective factor loadings higher than 0.5. Hence, the factors may be regareded as valid for further analysis.

The correlations between the factors of OP are not above 0.70. Hence, the two factors of OP satisfy discriminant validity (Gaskin & Lim, 2016).

Table 44

Factor Correlation Matrix

Factors	Market performance	Employee commitment
Market performance	1.000	
Employee commitment	0.496	1.000

Confirmatory factor analysis of organizational performance. Two dimensions of OP are used to measure the perceived organizational performance in

Nepalese commercial banks. This section of data analysis attempts to provide the model fit test of the OP dimensions namely market performance and employee commitment.

Like HRM and OLC constructs, OP scale is tested through two steps. In the first step, first order CFA of each OP dimension is done to test the unidemensionality. Finally, the second order CFA is done to test the factor model of OP representing two dimensions.

Initial model fit and modification in organizational performance dimensions - first order confirmatory factor analysis. This section of data analysis presents the key findings of initial measurement model of organizational performance dimensions.

Market performance: initial findings. The primary model of six items of market performance showed all three model fit indices below the accepatable threshold levels. They are CMIN/DF (16.785), RMSEA (0.253) and CFI (0.867). Hence, it is necessary to make some modifications in the model to improve the model fit.

Table 45

Market Performance: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
MARPER1	Operating income	0.619	0.607
MARPER2	Net profit	0.880	0.931
MARPER3	Profit margin	0.879	0.873
MARPER4	Return on equity	0.847	0.834
MARPER5	Market share	0.758	
MARPER6	Increase in market share	0.744	0.731

Achieved Fit Indices						
Mode of analysis	**CMIN/DF** **<3**	**AVE** **>5**	**CFI** **>0.9**	**SRMR** **<0.08**	**RMSEA** **<0.06**	**CR** **>0.7**
Initial	16.785	0.629	0.867	0.079	0.253	0.909
Final	2.559	0.646	0.992	0.031	0.079	0.899
Composite Construct Reliability: 0.901						

The initial inspection revealed that MARPER5 (Market share) had high
standardized residual covariance with other items. Hence, it is decided to delete this
item from the model. Similarly, the items MARPER2 (Net profit) and MARPER6
(Increase in market share) are made parameter free because of their high standardized
residual covariances. The final model revealed that all the factors loading of the
remaining five items are above 0.5, and all the model fit indices CMIN/DF (2.559), CFI
(0.992), SRMR (0.031), RMSEA (0.079) are well above the acceptable threshold levels.
The final composite reliability for this construct is 0.899 which is above the

acceptablelevel of 0.7. This indicates that the retained five items of market performance

can be considered reliable as well as valid for this construct measure.

*Employee commitment: initial findings.*The primary model fit of six items of

employee commitment showed the two model fit indices below the acceptable threshold

levels. They are CMIN/DF (11.966) and RMSEA (0.211). Other model fit indices

namely CFI (0.911) and SRMR (0.071) are in satisfactory state. Hence, it is necessary

to make some modification in the model to improve its fit measures.

Table 46

Employee Commitment: Summary of Initial Findings

Question Items	Items wording	Initial St. Loadings	Final St. Loadings
EMPCOM1	Proud to be part of organization	0.716	0.806
EMPCOM3	Enjoying discussing about the organization	0.682	0.747
EMPCOM4	Taking problems being own	0.739	0.752
EMPCOM5	Attachment with the organization	0.795	
EMPCOM6	Belief on loyalty	0.923	0.782
EMPCOM7	Effort to achieve organizational goal	0.931	0.818
Achieved Fit Indices						
Mode of analysis	**CMIN/DF** **<3**	**AVE** **>5**	**CFI** **>0.9**	**SRMR** **<0.08**	**RMSEA** **<0.06**	**CR** **>0.7**
Initial	11.966	0.643	0.911	0.071	0.211	0.914
Final	2.702	0.689	0.992	0.026	0.083	0.916
Composite Construct Reliability:0.887						

The initial inspection revealed that EMPCOM3 (Enjoying discussing about the organization) had high standardize residual covariance with other items. Hence, it is decided to remove this item from the model. Likewise, EMPCOM2 (Happy to spend rest of your career in this organization) is removed due to low loading. Similarly, EMPCOM4 (Taking problems being own) and EMPCOM7 (Effort to achieve organizational goal) had high standardized residual covariance. Hence, it is decided to make them parameter free to improve the model fit indices.

The final model revealed that all the factors loading of the six items are above 0.7, and model fit indices CMIN/DF (2.702), CFI (0.992) and SRMR (0.026) are above the acceptable threshold levels. RMSEA (0.083) is close to the acceptable threshold level. The final composite reliability for this construct is 0.887 which is well above the acceptable level of 0.7. This indicates that the retained five items can be considered reliable as well as valid for the construct measure of employee commitment.

Table 47 presents the summary of initial model fit of OP dimensions using confirmatory factor analysis.

Table 47

Summary of Initial Findings of Organizational Performance

HRM Constructs	Number of items*	CMIN/DF <3	AVE	CFI >0.9	SRMR <0.08	RMSEA <0.06	CR	Remarks
Market performance	6/5	2.559	0.646	0.992	0.031	0.079	0.899	MARPER5 (Market share) removed MARPER2 (Net profit) and MARPER6 (Increase in market share) are made parameter free.
Employee commitment	6/5	2.702	0.689	0.992	0.026	0.083	0.916	EMPCOM5 (Attachment with organization) isremoved and EMPCOM4 (Taking problems being own) and EMPCOM7 (Effort to achieve organizational goal) are made parameter free

* The numerators are initial number of items and denominators are the final items.

Development of organizational performance model - second order confirmatory factor analysis. After the assessment of model fit of each OP dimensions (first order CFA), the second order confirmatory factor analysis of the OP is conducted. The OP is the main construct and the sub-constructs are market performance and

employee commitment. Here, the main construct (OP) is the second order construct while the sub-constructs (market performance and employee commitment) are the first order constructs. The result of this has been shown below.

The model fit measures of the model provides a satisfactory result. All four model fit indices CMIN/DF (2.095), CFI (0.98), SRMR (0.056) and RMSEA (0.067) are above the recommended threshold levels. Hence, the results of the second order CFA analysis indicated a good fit between the model and the data.

Table 48

Model Fit Measures

Measure	Estimate	Recommended threshold	Interpretation
CMIN	67.024	--	--
DF	32	--	--
CMIN/DF	2.095	Between 1 and 3	Excellent
CFI	0.980	>0.95	Excellent
SRMR	0.056	<0.08	Excellent
RMSEA	0.067	<0.06	Acceptable

Interpretation: Gaskin and Lim (2016)

The model fit indices reveal that the 10 items model of OP is satisfactory for further structural analysis. It indicates a good fit between the model and the data and may be taken as suitable for further structural model.

CRs of both the latent variables are greater than the acceptable limit of 0.70. The

AVE for both the factors is < 0.5 which are acceptable (Fornell and Larcker, 1981). The

AVEs for both the dimensions are > 0.50, which further supports the convergent

validity of the constructs (0.690 and 0.647). Hence, the OP dimensions may be regarded

as having good convergent validity.All the square root of the AVE values (0.690 and

0.647) of both the organizational performance dimensions (diagonal values) are greater

than the inter-construct correlation (loadings) (0.447) which supports the discriminant

validity of the constructs.

Table 49

Model Validity Measures

OP Dimensions	CR	AVE	Market Performance	Employee commitment
Market Performance	0.917	0.690	**0.831**	
Employee commitment	0.900	0.647	0.447***	**0.804**

Figure 4 presents the final model of OP.
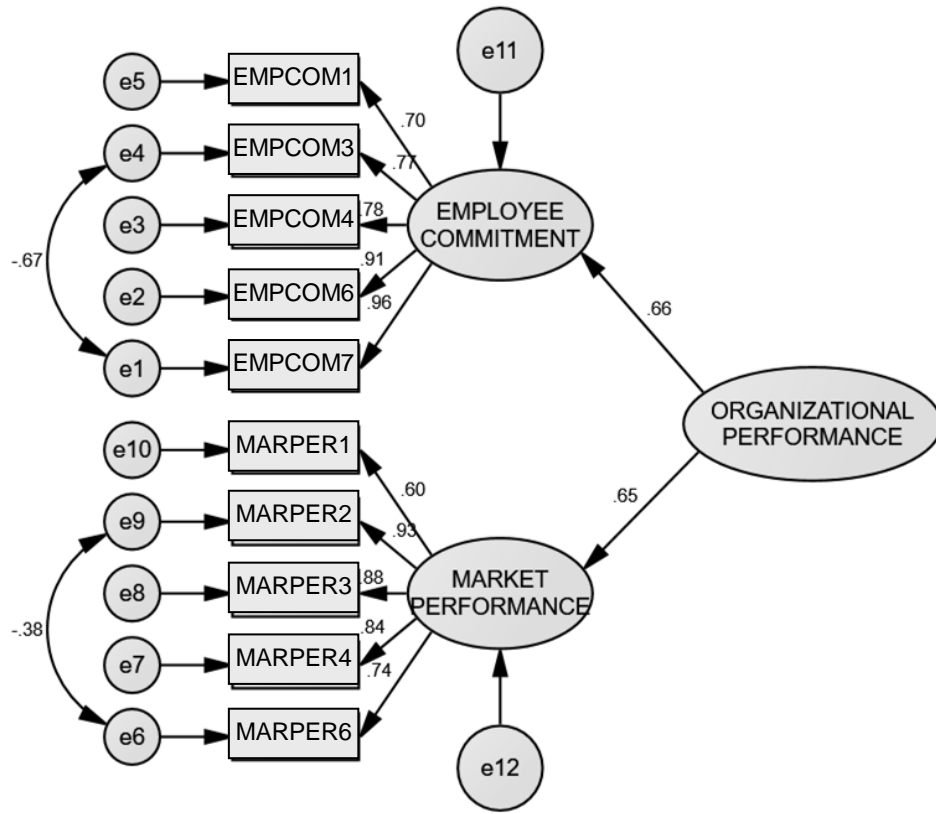
Figure 4. Final measurement model of organizational performance

Based on the above analysis the final measurement model of OP with standardized loadings, CR and AVE is presenneted in table 50.

Table 50

Final Measurement Model of OP

Construct	Measurement items	Standardize loading	AVE	CR
Organizational Performance	Market performance	0.673	0.618	0.905
	Employee commitment	0.664		
Employee Commitment	EMPCOM1	0.703	0.647	0.910
	EMPCOM3	0.772		
	EMPCOM4	0.785		
	EMPCOM6	0.908		
	EMPCOM7	0.958		
Market Performance	MARPER1	0.610	0.690	0.917
	MARPER2	0.928		
	MARPER3	0.875		
	MARPER4	0.833		
	MARPER6	0.735		

Table 50 shows that AVE by two dimensions of OP is 0. 618 which is above the acceptable threshold level (0.50). The CR of the construct is 0.905 which is also above acceptable threshold level. Finally, the standardize loadings of all two dimensions (0.673 and 0.664) are well above acceptable threshold levels. In conclusion, the OP model with two dimensions representing 10 items of OP may be accepted for structural model.

The Structural Model of the Study Constructs

This section of data analysis attempts to build and validate the structural model showing the relationship between HRM practices and organizational performance in Nepalese commercial banks.

The structural model depicts a diagram or a pictorial representation of HRM-OP relationship model in mediation of OLC. The equations are solved simultaneously to test model fit and estimate parameters. The final measurement structural model of this study constructs.

HRM practices are exogenous variables similar to independent variables. The OP is endogenous, similar to dependent or outcome variables. OLC is both exogenous and endogenous variables. When we measure the relationship between HRM and these two variables, they become endogenous variables. On the other hand, when the relationship between these two variables with OP is seen, they become exogenous variables. OLC is also a mediating variable since it is expected to mediate the relationship between HRM and OP.

The structural equation model was created and tested using AMOS software. The final structural model is presented in figure 5.
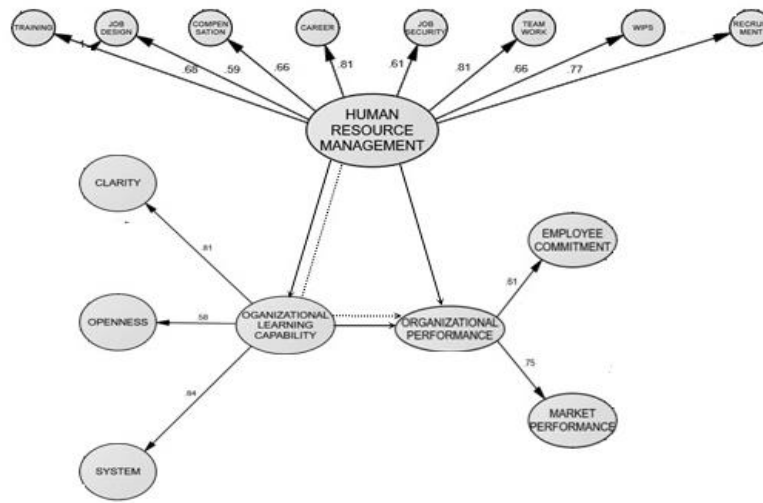
Figure 5. Overall structural model for Nepalese commercial banks

The model fit indices of final SEM namely CMIN/DF (2.135), CFI (0.901),

SRMR (0.081) and RMSEA (0.068) all are above the recommended threshold levels.

Table 51

Overall Fit Indices of the Model

Measure	Estimate	Recommended threshold	Interpretation
CMIN	2560.198	--	--
DF	1199	--	--
CMIN/DF	2.135	Between 1 and 3	Excellent
CFI	0.901	>0.95	Acceptable
SRMR	0.081	<0.08	Acceptable
RMSEA	0.068	<0.06	Acceptable

Based on this structural model, the hypotheses are tested.

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<center>**Hypothesis Testing**</center>

This main purpose of this study is to explore the relationship between HRM

practices and OP in Nepalese commercial banks with the mediating effects of OLC.

Four different hypotheses were developed and tested.
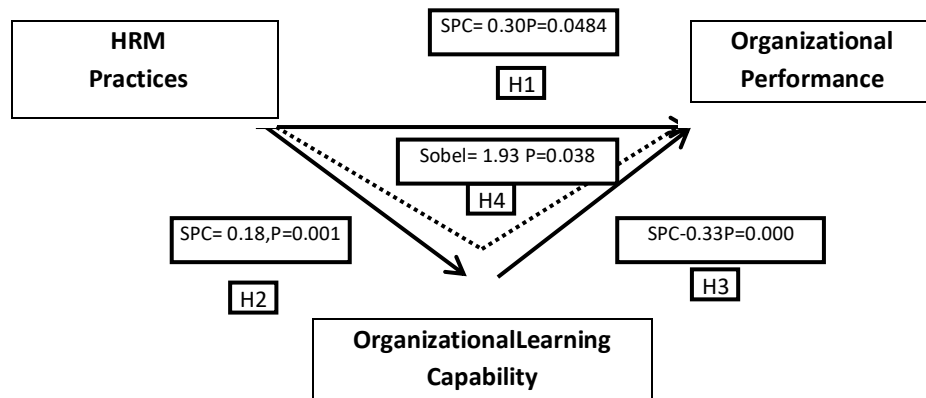
Figure 6. Direct and indirect effect of HRM on performance

Hypothesis 1: HRM-OP relationship. The relationship between HRM

practices and OP is found significant (SPC - 0.30,P - 0.010). Hence, H_1 (HRM practices

positively influence OP) is accepted. This relationship is consistent with the previous

researches. For example, Theriou and Chatzoglou (2008) found positive and significant

relationship between HRM practices and OP in Greek tertiary and commercial firms. In

a similar manner, Lin and Kuo (2007) found significant relationship between HRM and

OP in the training centers of different firms in Taiwan.

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Table 52

The Relationship between HRM and OP

Regression weight	Estimate	S.E.	C.R. (t)	P
OP←——HRM	0.167	0.052	3.231	0.001

The results of the current study support the findings of prior studies concerning the influence of HRM on OP (Cooke & Human, 2001; Minbaeva, 2005; Jones, Kalmi, &Kauhanen, 2006, Wright &Boswell, 2002; Collins &Smith, 2006). This is also consistent with two Nepalese studies on this relationship (Bhandari, 2008; Pandey, 2014). The finding of this study is inconsistent with Kuo (2011). He found a non-significant direct relationship between HRM practices and OP.

Hypothesis 2: HRM-OLC relationship. The result of structural equation modeling shows that HRM and OLC are significantly and positively associated with each other (SPC= 0.18, P=0.001). Hence, H_2 (HRM practices have a positive influence on OLC processes) is also accepted.

Table 53

The Relationship between HRM and OLC

Regression weight	Estimate	S.E.	C.R. (t)	P
OLC ←——HRM	0.143	0.066	2.173	0.030

The result is consistent with most of the previous studies where the researchers (Theriou & Chatzoglou, 2008; Lin & Kuo, 2007; Khandekar & Sharma, 2005; Kang et al., 2007; Minbaeva, 2005; Lopez et al., 2006, Kuo, 2011) concluded that HRM plays a pivotal role in facilitating OLC.

Hypothesis 3: OLC-OP relationship. The relationship between OLC and OP is found significant (SPC-0.33,P- 0.000). Hence, H_3 (OLC positively influences OP) is also accepted. This relationship is consistent with the previous studies. For example, Theriou and Chatzoglou (2008) found positive and significant relationship between OLC and OP in Greek tertiary and commercial firms and Lin and Kuo (2007) in the training centers of different firms in Taiwan.

Table54

Relationship between OLC and OP

Regression weight	Estimate	S.E.	C.R. (t)	P
OP ←—OLC	0.245	0.074	3.325	0.000

As with previous researches (Lin and Tseng, 2005; Lee and Lee, 2007; Bogner and Bansal, 2007; Shakya, 2014) the results of this study support the finding that OLC has a positive effect on OP.

Hypothesis 4: Mediation by OLC. To examine the mediating effect of the OLC in HRM-OP relationship, the following statistical steps and basic assumptions were considered (Bae, 2006; Kline, 2005).

- The exogenous variable has a statistically significant impact on the proposed mediating variable;

- The mediating variable significantly affects the assigned endogenous variable; and

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- The direct path between the exogenous variable and endogenous variable appears to be statistically non-significant (full mediation)/significant (partial mediation) while controlling and adding the mediating construct.

The analysis of the relationship between the study construct reveals that the exogenous variable (HRM) has a statistically significant impact on the mediating variable (OLC) (SPC= 0.18 P=0.001). Similarly, the mediating variable (OLC) significantly affects the endogenous variable (OP) (SPC-0.33 and P - 0.000). Finally, the direct path between the exogenous variable (HRM) and endogenous variable (OP) is statistically significant while controlling and adding the mediating construct (SPC - 0.30 and p - 0.010). Hence, the result supports partial mediation by OLC in HRM-OP relationship.

Table55

Direct and Indirect Effects of HRM

Constructs	Total effect	Direct effect	Indirect effect
OP⟵— OLC ⟵— HRM	0.301	0.26	0.041

The strength of the relationship between HRM and OP is reduced when the mediator variable i.e. OL is added. It reduced to 0.26 from 0.3; hence, it further provides evidence that there is partial mediation by OLC in HRM-OP relationship.

Sobel (1982) test was also conducted to test the significance of the partially mediated path. The test value (Z =1.93) is between +1.96 and -1.96. It reveals that the mediator (OLC) carries the influence of the independent variable (HRM) to the

dependent variable (OP). HRM has direct effect on OP. However, it has an indirect

effect through OLC as well. Hence, H_3 (OLC mediates the relationship between HRM

and OP is accepted).

Table56

Summary of Hypotheses Testing Results

Hypothesis	Relationship	Result
1	HRM-OP	Accepted
2	HRM-OLC	Accepted
3	OLC-OP	Accepted
4	HRM-OLC-OP	Accepted

The outcome of this study regarding the mediating effect of OLC in HRM-OP

relationship is consistent with previous studies. For example, Kuo (2011), based on a

sample of 208 employees of different Taiwanese technological companies, showed an

indirect mediating effect of organizational learning in the relationship between HRM

and perceptual measures of non-financial. Hooi and Ngui (2014) found a direct

mediating effect of OLC in the HRM-performance relationship using perceptual

measures of financial performance (sales growth, market share, profitability and rate of

new product development).Yao (2013) verified the mediating effect of organizational

learning ability between high-performance work systems and firm performance. Lin and

Kuo (2007), based on financial training centers in Taiwan, showed HRM influences OP

indirectly through OLC.

Conclusion

This chapter analysed and presented the data collected through structured questionnaire. Two statistical approaches namely descriptive analysis and SEM are used to serve the study objectives. SEM further involved development of measurement model and structural model.

The descriptive analysis of the study constructs is done to assess their state as perceived by the employees in their respective organizations. The data collected through seven point Likert scale is analysed using mean, standard deviation and ANOVA.

The descriptive analysis of the data revealed mixed results. Most of the HRM practices are perceived by the employees as in satisfactory state in both private and public commercial banksexcept a dimension named workers' involvement in problem solving. The descriptive analysis of OLC showed that all three OLC dimensions are not perceived to be satisfactory. Likewise, both the dimensions of OP are also perceived in satisfactory state by the employees of the organizations under study.

The development of the measurement models of HRM Practices, OLC and OP is done at two ways- exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). EFA identified factors model of the study constructs. Some items are removed because of their low loadings to any factor or cross loadings to other items. After EFA, CFA is done at two steps. In the first step, first order CFA of different dimensions of the study constructs is done to check the unidimensionality. The second order CFA is done

to check whether the first-order factors estimated actually represent sub-dimensions of a broader and more encompassing second-order factors i.e. HRM, OLC and OP.

After the second order CFA, the final structural model linking HRM practices and OP with the mediating effect of OLC was developed. The model consisted of three constructs with 13 subconstructs (dimensions). The construct HRM retained eightdimensions with 30 observed items. OLC retained all three constructs with 10 observed items. Finally, OP retained both the constructs with 10 observed items.

After developing the structural model, it was evaluated using the model fit indices namely CMIN/DF, CFI, SRMR and RMSEA. All these indicators showed that the final model was suitable to test the relationship between HRM Practices and OP in Nepalese commercial banks.

All four hypotheses were accepted showing significant relationship between HRM, OLC and OP. OLC is also found to affect OP significantly. Finally, it mediated the relationship between HRM and OP partially.

Chapter 6

SUMMARY AND CONCLUSION

Introduction

Chapter five analysed and presented the data. This chapter focuses the summary of key findings in relation to the objectives of the study. The primary objective of this study is to investigate the relationship between human resource management (HRM) practices and organizational performance (OP) with the mediating effect of organizational learning capability (OLC). In this chapter, the study findings are discussed and some practical recommendations are proposed in light of the study objectives. Further, the theoretical and practical implications of the key findings in context to Nepal are discussed. Likewise, the limitations of this study alongwith some directions for future research are discussed. This chapter ends with conclusions.

Summary of Findings

Findings from Descriptive Analysis- State of HRM, OLC and OP

The descriptive analysis of this study revealed that the states of HRM Practices as perceived by the employees of Nepalese commercial banks are in satisfactory state individually as well as collectively as the single HRM construct. Only one dimension of HRM named workers' involvement in problem solving was found in unsatisfactory

state. It shows that HRM practices adopted by the the commercial banks are high performing work practices (Pfeffer, 1994; Appelbaum & Batt, 1994; Appelbaum et al., 2000; Lawler, 1986; Wood, 1996; Ichniowski et al., 1996). The employees perceived all three dimensions of OLC in weak states in their respective organizations. This implies that commercial banksare arenot adopting specific strategies, mechanisms and practices toencourage their members to learn continuously so that they can adapt to the changing business environment (Senge, 1990; Mills & Friesen, 1992). This is consistent with the findings of Shakya (2012) in which she concluded that there is the existence of the learning opportunities in Nepalese organizations, though at limited scale and depending on the nature and size of the organization. This study also supports her findings that organizational learning as a relatively recent concept in Nepalese enterprises though some forms of it have been in practice since long. OP was satisfactory as perceived by the employees of Nepalese commercial banks. This result is consistent with the previous Nepalese studies (Bhandari, 2008; Pandey, 2014). The comparative analysis of these three constructs revealed that the private sector commercial banksare better in HRM, OLC and OP than the public sector commercial banks.

Findings from Structural Equation Modelling- Hypothesis Testing

The hypotheses were tested using SEM which has two models, the measurement model and structural model. The measurement model was developed through EFA, the first order CFA and second order CFA.

The first order CFA was applied to each dimensions of the study constructs i.e. HRM (Eightdimensions), OLC (Three dimensions) and OP (Two dimensions). The main purpose of this was to test unidemensionality. Eight HRM practices were identified as valid dimensions. Similalry, all three OLC dimensions and both the dimensions of OP also satisfied unidimensionality i.e. convergence of the items into their respective dimensions. The results of the second order CFA in the HRM construct supports the idea presented in this paper of a second order factor in which all the practices are aligned with a general concept, and confirms the results of other studies (MacDuffie, 1995, Youndt et al., 1996). This has operationalized HRM practices as a latent second order factor that captures the congruence between several HRM, whilst recognizing that the complementary nature of HRM rather than isolated HRM have a direct bearing on OLC and OP. Similar results were derived for OLC and OP also.

Finally, a structural model showing the relationship between HRM, OLC and OP was developed and tested to verify the direct and indirect/mediating HRM-OP relationship.

The hypotheses were developed based on the extant literature review to test the relationship between HRM and OP from the perspective of OLC. Investigating the relationship between HRM and OP, the results show that HRM predict OP directly (H_1 is supported). The findings also supported the hypothesis (H_2)that significant relationship exists between HRM and OLC. Likewise, the hypothesis (H_3)that the relationship between OLC and OP is significant is also accepted.Finally, the findings

also supported the hypothesis that OLC mediates (partially) the relationship between HRM and OP (H_4 is supported). The results are consistent with the previous studies (Theriou & Chatzoglou, 2008; Lin & Kuo, 2007; Khandekar & Sharma, 2005;Bhandari, 2008; Pandey, 2014, Lee & Lee, 2007).

Theoretical Implications

This study has made an important contribution in understanding the relationship between HRM and OP in context of Nepal that bears a different socio-economic context. The mediating effects of OLC in the relationship between these two concepts in Nepalese context had never been examined before. The tested model combines different concepts that can help the financial sectors in Nepal to be aware of the relationship between these concepts and understand the necessity to link their HRM initiatives with OLC for enhancing their performance.It can help organizations in the financial sector in Nepal tobecome aware of the relationship and understand the necessity to integrate their HRM initiatives in OL, in order to achieve increased performance. The main theoretical contributions of this study include:

- This study tests the configuarational approach that states HRM practices should be 'bundled' to be most effective (Delery & Doty, 1996). Eight different dimensions/practices of HRM in Nepalese commercial banks were configured as a single HRM construct.

- This study tests a new composite model that identifies critical enabling factors of the best HRM-OP relationship empirically.

- This study has further contributes in understanding the value of human factor in OLC initiatives and finally on OP. The proposed HR system portrays important concepts that can influence HR practitioners' ways of thinking about HR practices.

- This study also portrays that OLC makes significant impact on OP irrespective of its weak state and being an emerging concept in case of Nepal. It helps to enrich the literature of HRM-OP relationship from the perspective of Nepalese context.

In conclusion, this study contributes to the current understanding of the link between HRM and OP. It highlights the role of OLC as an important link in the relationship between HRM and OP.

Practical Implications

The research interest in why and how HRM is related to OP continues to accumulate (Wright & Boswell, 2002). However, the understanding of the mechanisms through which HRM influence performance is still not clear. The motivations for this

study were to examine the intermediate linkages (mechanisms) through which HRM influences OP.

In service sector organizations, OP is largely affected by customer service excellence leading to customer satisfaction and retention. In this sector, firms can gain competitive advantage through superior service to their customers that go beyond their expectations. Hence, it is important for organizations to adopt the learning orientation for organizational success. However, as the capability to learn does not naturally and readily occur within organizations, it is imperative that organizations ensure that resources allocated and efforts made to instill learning within organizations.In this regard, this study is based on the resource-based view (RBV) to formulate and empirically support the link between HRM and OP (Becker & Huselid, 1998; Huselid, 1995; Koch & McGrath, 1996).

The outcomes of these study findings suggest that HRM affects OLC and OP significantly. Further, OLC also affects OP significantly. The results of this study also revealed that OLC mediates the relationship between HRM and OP.

The significant positive relationship between HRM and OLC implies that OLC in Nepalese commercial banks are dictated by their HRM policies and practices irrespective of its weaker state (All three dimensions were perceived to be in unatisfatory state i.e. mean<4). The mediation of OLC between HRM and OP demands the organizations to focus their HRM initiatives towards building OLC for the enhancement of OP. The direct as well as indirect effect on OP by HRM shows that

HRM is central in OP enhancement in Nepalese commercial banks. The outcome is particularly important in Nepalese context where organizations are found to be reluctant in investing in innovative HRM as they are still not convinced that HRM is a direct source of performance improvement (Adhikari, 2005).

There are some macro and industry level factors in Nepal hindering the learning orientation in organizations.

- The high demand of middle and top level executives may be leading to a high turnover of these employees. This may be reducing learning orientation among the employees. Individual learning may be focused basically on career enhancement rather than overall organizational well being.

- The organizations are mostly found to focusing on short term financial outcomes in the expense of strategic goals. There is a high focus for annual profit and employee pay and promotions are largely dictated by the targets given to them.

- Nepalese commercial banks are mostly found to competing each other in cost basis. They offer similar products. The organizations that compete on cost basis are weak learners than the differentiators.

- They are operating in strict regulatory framework which leave a very few ground for openness and experimentation.

- The widespread nepotism and favoritism may be other reasons to reduce the individual learning in the organization.

- Similaly, the rules and policies of the organizations leave very less ground of experimentation.

- The pay and promotions are not found to be linked with learning.

- The weak state of learning orientation in Nepalese commercial banks can also be supported from Hofstede's (2001) powerdistance. Beyene et.al. (2016) found high power distance have a dominant negative effect on the learning orientation and innovation performance of the firms. With a high score of 65/100, Nepal is a relatively hierarchical society. Hierarchy in an organisation is seen as reflecting inherent inequalities, centralisation is popular, subordinates expect to be told what to do and the ideal boss is a benevolent autocrat. This also hinders learning orientation in an organization.

All these factors may be inhibiting learning culture in Nepalese commercial banks.

This study revealed that the effect of HRM on OP through OLC (HRM-OLC-OP) is stronger than its direct effect (HRM-OP). It implies that all HRM policies or activities of the commercial banks should be designed to facilitate OLC; otherwise superior OP may not be achieved from the policies or activities of HRM alone. Hence, banking executives should focus on promoting a healthy environment for nurturing OL, as well as formulating effective OL polices and facilitate their implementation so as to maximize the total effects on OP. In other way, conditions need to exist in the organization for having the right learning environment, or learning climate as Pedler et al. (1997) point out, in which:

- All employees are encouraged to learn and share what they have learned with other employees;

- Systems are established in areas of the organization that require learning; and

- Learning is valued and rewarded in the organization.

This study particularly revealed a weak state of OLC in Nepalese commercial banks. Irrespective, OLC is found to affect OP directly as well as through HRM. Hence, the HR practitioners in Nepalese commercial banks need to focus on improving OL practices through proper structure, mechanism, and processes for an enhanced and sustainable OP. Supportively, practicing strategic HRM could promote more dynamic and collaborative learning processes along with active decision-making involvement, which in turn have an impact on the firm's collaborative creativity. Ultimately, organizational creativity would be another core foundation for OP in terms of process innovation and new product development (Škerlavaj, Song, & Lee, 2010). Hence, it is necessary for Nepalese organizations design their HRM system and policies so as to achieve the primary roles of the learning organization as stated by Senge (1990).

(a) Supporting members to share ideas to create applicable knowledge,

(b) Encouraging members' motivation and willingness to collaborate for the team learning process,

(c) Providing strategic leadership to visualize shared vision and mission, and

(d) Ensuring the mental model-based continuous informal learning process.

HRM should focus on providing and ensuring a supportive work climate to encourage the employees' continuous learning process by providing internal career

development opportunities, competency-based training implementations, a performance-based reward system, and participation in the decision-making process (Huh & Lee, 2006) as HRM management practices used by an organization have the potential to influence people's attitude towards learning (Theriou &Chatzoglou,2008).

The model of this study suggests that organizations need to effectively and efficiently manage OL activities by implementing an effective HRM system to enhance OP, since HRM can affect OP directly as well as through OL. Since the individuals are the primary agents of OL, commercial banks are required to mobilize their resources to learn (Kim,1993). HRM has a direct effect on the ability and motivation of individuals to learn. Hence, proper HR practices should be implemented in order to facilitate the different processes and levels of learning. They are also required to build strong OL capability that contributes for sustained competitive advantage through the development of knowledge-based resources which are valuable, rare, inimitable (Becker &Huselid, 1998) and non-substitutable. The HR activities such as hiring, career planning, motivation, compensation, performance evaluation should be linked to promoting learning culture and environment within the organization. The job design concept should be implemented effectively so that employees perceive their jobs to be interesting and challenging to motivate them towards learning. When formulating and implementing HR strategies, managers should be aware of the fact that OLC-related variables mediate the effect of HRM on OP. The managers should verify the design of the HRM strategies implemented by targeting HRM investments in the practices that influence OLC significantly.

The outcome of this study implies that facilitation of OL by leveraging a HRM system should be a critical success factor for firms. It is necessary to strengthen different strategic HRM capabilities in order to overcome obstacles within an organization and facilitate OL (Garcia-Morales et al., 2006) in order to ultimately enhance OP.

Limitations and Directions for Future Research

This study has a number of limitations. First, given the use of cross-sectional data, causality cannot be inferred. It may take a longer time to materialize the relationship between HRM, OLC and OP. Future studies may employ a longitudinal research design that examines the relationship between HRM and OP to capture the time lag effects necessary to realize the benefits of HRM.

Another notable limitation of this study is its exclusive use of perceptual measures. As noted in the methodology section, subjective measures of firm performance were used to test the model. Future studies can use both objective and perceptual measures of performance/satisfaction, making it possible to compare executives' perceptions of results to the real findings. This would allow drawing more reliable conclusions about the influence of organizational learning on business performance within a single industry.

This study proposed and tested hypotheses drawn from a context-free model, the cultural context of the study (i.e. using data from a sample of Nepalese commercial

banks) may have influenced the findings which may limit the generalizability of the findings to other cultural contexts as well as economic sectors. However, this limitation is mitigated by the fact that much of strategic HRM research has been conducted in the emerging economies of Asia (Chuang, & Liao, 2010; Gong et al., 2009; Liao et al., 2009; Sun et al., 2007) that share relevant cultural values such as high power distance and relationship orientation. Future researchers can collect data from multiple cultural settings and replicate and extend the findings of this study.

The impact of OLC may be well illustrated in knowledge intensive organizations such as university, software and consultacy firms. Hence, future researchers may test the HRM performance relationship with mediation of OLC taking such organizations as samples.

This study did not attempt to explore the relationship between individual HRM practices and firm performance. Future researchers may conduct study on HRM-OP relationship taking into the individual practices of HRM into consideration.

Several studies have attempted to analyse the processes that account for the impact of HRM on OP (e.g. Ramsay, Scholarios & Harley, 2000; Takeuchi et al., 2003). Additional mediating variables should be mixed into the equation to enhance the understanding of the processes which lead HRM to have a direct bearing on organizational results (Boxall & Purcell, 2000; Paauwe & Boselie, 2005; Paauwe & Richardson, 1997).

This study is based on the responses by the employees at both branch level and corporate level employees. The HRM outcomes are more explicit at the branch level. Hence, future researchers can conduct research based on the employees at branch level only.

Finally, learning in organization takes place at individual, team and organizational level. This study has focused individual level learning. Hence, future researchers may conduct research taking into team and organizational level learnings also into considerations.

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Appendices

Survey Questionnaire on HRM and Organizational Performance in

Nepalese Commercial Banks

</div>

Dear Sir/Madam

*Based on your organization, you are kindly requested to fill this questionnaire to the best of your knowledge and experience n. This questionnaire aims to collect information on human resource practices and organizational performance in the commercial banks of Nepal. This is being done to fulfill the research requirement of PhD in management (TU). The researcher assures that the information will be **fully confidential** and used for **academic purpose** only.*

Dilliram Bhandari

Faculty Member

Shankerdev College

Putalisadak, Kathmandu

<u>I. Personal Information</u>

1. Name of the organization: ……………………………………………..

2. Sex of the respondent: Male/Female   3. Age of the respondent………years

4. Qualification………………………   5. Current position………………….

6. Department/unit……………………..   7. Work experience……………years

Please tick √ in one of the boxes from each of the following items that you think is the most likely in your organization

(1- Strongly disagree, 2- Disagree, 3- Slightly disagree, 4- No response, 5- Slightly agree, 6- Agree, 7- Strongly agree)

II. High Performing HR Practices

1.	SELECTIVE HIRING	1	2	3	4	5	6	7
a.	Your organization has a large applicant pool for the selection of employees.							
b.	Your organization attempts to analyze the attitude of the prospective employee's on hiring.							
c.	Your organization always attempts to establish cultural fit while hiring new employees.							
d.	Your organization is always clear about the most critical skill required.							
e.	Your organization uses formal test for the selection of employees.							
f.	Your organization uses systematic and formal ways of interviews.							

2.	TEAM WORK	1	2	3	4	5	6	7
a.	Your organization promotes teamwork							
b.	You feel that you are a part of the team.							
c.	There is good teamwork and co-operation between your work group and other groups in your organization.							
d.	Information is freely shared among the members.							
e.	Your satisfaction level increases while working in a team.							
f.	There is a spirit of we are all in this together across work group.							

3.	WORKERS' INVOLVEMENT IN PROBLEM SOLVING	1	2	3	4	5	6	7
a.	Workers are involved in solving different problems in your organization.							
b.	You are involved in important decisions that affect you and your job.							
c.	Your supervisor considers the opinion of others before making important decisions.							
d.	Multiple level of workers share in the decision making process.							

4.	PROMOTION AND REWARDS BASED ON PERFORMANCE	1	2	3	4	5	6	7
a.	Promotion is based on performance rather than age and seniority.							
b.	You believe that rewards are given fairly where you work.							
c.	Your organization has equall application of policies regarding compensation and promotion.							
d.	In your organization, favoritism is not a major problem.							
e.	In your organization, employees are paid according to their job performance.							
f.	You get a sense of personal accomplishment from your work.							
g.	The pay offered by your company is very competitive.							

5.	INTERNAL CAREER OPPORTUNITY	1	2	3	4	5	6	7
a.	Your organization provides the employees the opportunities to advance career.							
b.	Your organization is dedicated for the career advancement of the employees.							
c.	Your supervisor gives you constructive feedback on career advancement.							
d.	Your organization develops leaders within the organization.							
6.	TRAINING /DEVELOPMENT	1	2	3	4	5	6	7
a.	You have received the in-house training that you need to get your job done.							
b.	You feel that opportunities for growth and development are available to you.							
c.	The training courses offered by your company are useful and effective.							
d.	Your company uses a systematic process for identifying employee development needs and implementing solutions.							
e.	The training that you received was relevant to your job.							
f.	Training opportunities are available to employees.							

7.	JOB SECURITY	1	2	3	4	5	6	7
a.	You are not worry about losing your job.							
b.	The management treats the employees as critical asset for the long term viability and success of the organization.							
c.	You feel free to express your opinion without worrying about negative consequences.							
d.	The management has a strong commitment not to lay off the employees to cut down cost.							

8.	**BROADLY DEFINED JOB DESCRIPTIONS**	1	2	3	4	5	6	7
a.	You are clear about the duties that you are supposed to discharge.							
b.	Your job description includes the skills and qualification required for the job.							
c.	Your job and skills match together.							
d.	Your job description clearly states the purpose of your job.							

IV. Organizational Learning Capability

1.	**COMMITMENT TO LEARNING AND EMPOWERMENT**	1	2	3	4	5	6	7
b.	The management encourages the employees for experimentation and risk taking.							
c.	The management has a strategy to build a learning culture in your organization.							
d.	The organizational and learning goals are interrelated.							
e.	The management is committed to empower the employees for learning.							

2.	**SYSTEM PERSPECTIVE AND CLARITY OF PURPOSE AND MISSION**	1	2	3	4	5	6	7
a.	The employees are clear about the vision and mission of your organization.							
b.	The employees in your organization have a clear understanding of the organization as a system.							
c.	The management in your organization is committed towards building the shared vision among the employees.							
d.	The employees in your organization understand the gap between the vision and current state of your organization.							

3.	OPENNESS AND EXPERIMENTATION	1	2	3	4	5	6	7
a.	In your organization, the employees enjoy in pursuit of new ways of getting the job done.							
b.	In your organization, the employees have freedom to take risk.							
c.	The structure and system of your organization support experimentation.							
d.	The compensation system in your organization is designed to reward innovation and risk taking.							

V. Organizational Performance

(1- Strongly unsatisfactory, 2- Unsatisfactory, 3- Slightly unsatisfactory, 4- No response, 5- Slightly satisfactory, 6- Satisfactory, 7- Strongly unsatisfactory)

1.	PERCEIVED MARKET PERFORMANCE	1	2	3	4	5	6	7
	Compare to other organizations that do the same kind of work, how you would compare the organization's performance over the last three years in terms of							
a.	Operating income							
b.	Net profit							
c.	Profit Margin							
d.	Return on equity							
e.	Market share							
f.	Increase in market share							

2.	ORGANIZATIONAL COMMITMENT	1	2	3	4	5	6	7
a.	You feel yourself proud to be a part of this organization							
b.	You would be very happy to spend rest of your career in this organization							
c.	You enjoy discussing your organization with the people outside to it.							
d.	You take the problems of your organization as being your own.							
e.	It would be very hard for you to leave this organization right now.							
f.	You believe that the employees must be loyal to their organization							
g.	You are putting your utmost effort for achieving the objectives of your organization.							

Thanking you for your cooperation

Appendices

A. Descriptive Statistics of Human Resource Practices

TableA1
Descriptive Statistics of Recruitment and Selection

HR Items			N	Mean	St. Dev.	F	Sig
Selective hiring			252	4.14	0.71	2.96	0.09
Application Pool	SELHIR1	Public	69	5.18	0.833	0.629	0.429
		Private	183	5.29	1.058		
		Total	**252**	5.26	1.002		
Analysis of Attitude	SELHIR2	Public	69	2.87	0.736	0.181	0.671
		Private	183	2.92	0.881		
		Total	**252**	**2.90**	**0.843**		
Analysis of Cultural Fit	SELHIR3	Public	69	2.87	0.757	2.054	0.153
		Private	183	3.05	0.944		
		Total	**252**	**3.00**	**0.900**		
Analysis of Critical Skill	SELHIR4	Public	69	4.66	0.708	3.322	0.070
		Private	183	4.90	1.006		
		Total	**252**	**4.83**	**0.940**		
Formal test for Employee Selection	SELHIR5	Public	69	3.48	0.660	0.330	0.566
		Private	183	3.41	0.894		
		Total	**252**	**3.43**	**0.836**		
Systematic and Formal Ways of Interview	SELHIR6	Public	69	5.06	0.833	12.457	0.000
		Private	183	5.57	1.081		
		Total	**252**	**5.44**	**1.044**		
Total		Public	69	4.02	0.92		
		Private	183	4.19	0.66	2.96	0.09
		Total	**252**	**4.14**	**0.71**		

Table A2
Descriptive Statistics of Teamwork

Items			N	Mean	St. Dev.	F	Sig.
Teamwork			252	4.61	1.034	6.863	0.009
Promotion of teamwork	TEAM1	Public	69	4.40	1.329	3.088	0.077
		Private	183	4.71	1.238		
		Total	**252**	**4.62**	**1.332**		
Feeling being a part of the team (Team ownership)	TEAM2	Public	69	4.22	1.484	28.449	0.000
		Private	183	5.15	1.138		
		Total	**252**	**4.90**	**1.308**		
Cooperation within and between teams	TEAM3	Public	69	4.20	1.389	9.786	0.002
		Private	183	4.78	1.278		
		Total	**252**	**4.62**	**1.332**		
Information sharing	TEAM4	Public	69	4.49	1.244	3.075	0.081
		Private	183	4.17	1.298		
		Total	**252**	**4.26**	**1.288**		
Satisfaction level while working in team	TEAM5	Public	69	4.45	1.378	13.256	0.000
		Private	183	5.04	1.045		
		Total	**252**	**4.88**	**1.173**		
Team spirit	TEAM6	Public	69	4.29	1.405	0.610	0.436
		Private	183	4.43	1.238		
		Total	**252**	**4.39**	**1.284**		
Total		Public	69	4.33	1.270		
		Private	183	4.72	0.942	6.863	0.009
		Total	**252**	**4.61**	**1.054**		

TableA3

Descriptive Statistics of Workers' Involvement in Problem Solving

Items			N	Mean	St. Dev.	F	Sig.
Workers' involvement in problem solving			252	3.98	0.952	0.816	0.367
Involvement in problem solving	WORINV1	Public	69	4.01	1.036	0.524	0.470
		Private	183	4.14	1.248		
		Total	**252**	**4.10**	**1.193**		
Involvement in decision affecting one's job	WORINV2	Public	69	3.97	1.098	1.484	0.224
		Private	183	4.15	1.042		
		Total	**252**	**4.10**	**1.059**		
Considerations by supervisor in decision making	WORINV3	Public	69	4.16	1.106	0.001	0.978
		Private	183	4.16	1.202		
		Total	**252**	**4.16**	**1.175**		
Sharing by workers at multiple level	WORINV4	Public	69	3.43	1.078	1.040	0.309
		Private	183	3.61	1.283		
		Total	**252**	**3.56**	**1.230**		
Total		Public	69	3.89	0.931	0.816	0.367
		Private	183	4.02	0.960		
		Total	**252**	**3.98**	**0.952**		

TableA4
Descriptive Statistics of Compensation and Promotion based on Performance

Items			N	Mean	St. Dev.	F	Sig.
Compensation and promotion based on performance			252	4.23	1.153	12.066	0.001
Promotion based on performance	COMP1	Public	69	3.57	1.300	5.553	0.019
		Private	183	4.05	1.529		
		Total	**252**	**3.92**	**1.484**		
Fair reward	COMP2	Public	69	3.68	1.170	5.270	0.005
		Private	183	4.11	1.533		
		Total	**252**	**4.08**	**1.467**		
Equal application of policies	COMP3	Public	69	3.34	1.150	9.240	0.004
		Private	183	4.19	1.533		
		Total	**252**	**4.06**	**1.457**		
Favoristism not a problem	COMP4	Public	69	3.64	1.150	7.270	0.007
		Private	183	4.19	1.533		
		Total	**252**	**4.04**	**1.457**		
Pay according to performance	COMP5	Public	69	3.84	1.302	7.384	0.007
		Private	183	4.33	1.277		
		Total	**252**	**4.20**	**1.300**		
Sense of personal accomplishment	COMP6	Public	69	3.99	1.169	5.305	0.022
		Private	183	4.38	1.216		
		Total	**252**	**4.27**	**1.214**		
Competitive pay	COMP7	Public	69	4.13	1.236	23.458	0.000
		Private	183	4.98	1.240		
		Total	**252**	**4.75**	**1.293**		
Total		Public	69	3.83	1.094		
		Private	183	4.39	1.142	12.066	0.001
		Total	**252**	**4.23**	**1.153**		

Table A5

Descriptive Statistics of Internal Career Opportunity

Items			N	Mean	St. Dev.	F	Sig.
Internal Career Opportunity			**252**	**4.66**	**1.100**	**19.356**	**0.000**
Opportunity to advance career	INTCAR1	Public	69	4.33	1.038	20.097	0.000
		Private	183	5.03	1.116		
		Total	**252**	**4.84**	**1.137**		
Organizational dedication for career advancement	INTCAR2	Public	69	4.25	1.035	13.508	0.000
		Private	183	4.85	1.199		
		Total	**252**	**4.68**	**1.185**		
Feedback by supervisor on career advancement	INTCAR3	Public	69	4.22	1.110	4.877	0.028
		Private	183	4.56	1.082		
		Total	**252**	**4.46**	**1.098**		
Development of leaders within the organization	INTCAR4	Public	69	4.10	1.002	25.002	0.000
		Private	183	4.89	1.157		
		Total	**252**	**4.67**	**1.170**		
Total		Public	69	4.22	0.967	**19.356**	**0.000**
		Private	183	4.83	0.977		
		Total	**252**	**4.66**	**1.001**		

Table A6
Descriptive Statistics of Training and Development

Items			N	Mean	St. Dev.	F	Sig.
Training and Development				**4.64**	**1.134**	**11.067**	**0.001**
In-house training	TRAIN1	Public	69	3.91	1.358	6.196	0.013
		Private	183	4.45	1.578		
		Total	**252**	**4.30**	**1.537**		
Opportunities for growth and development	TRAIN2	Public	69	4.04	1.300	17.585	0.000
		Private	183	4.81	1.289		
		Total	**252**	**4.60**	**1.334**		
Effectiveness of training	TRAIN3	Public	69	4.25	1.205	8.313	0.004
		Private	183	4.78	1.334		
		Total	**252**	**4.63**	**1.119**		
Use of a systematic process for identifying employee development needs	TRAIN4	Public	69	3.25	1.105	7.303	0.003
		Private	183	4.99	1.234		
		Total	**252**	**4.73**	**1.219**		
Relevancy of training	TRAIN5	Public	69	4.23	1.262	15.633	0.000
		Private	183	4.93	1.256		
		Total	**252**	**4.74**	**1.294**		
Availability of training opportunities	TRAIN6	Public	69	4.87	0.999	0.249	0.618
		Private	183	4.95	1.206		
		Total	**252**	**4.93**	**1.151**		
Total		Public	69	4.26	0.994	**11.067**	**0.001**
		Private	183	4.78	1.153		
		Total	**252**	**4.64**	**1.134**		

Table A7
Descriptive Statistics of Job Security

Items			N	Mean	St. Dev.	F	Sig.
Job Security				**4.09**	**0.997**	**0.635**	**0.426**
Not worry about job loosing	JOBSEC1	Public	69	4.33	0.980	0.004	0.947
		Private	183	4.32	1.213		
		Total	**252**	**4.33**	**1.152**		
Employees as critical assets, and	JOBSEC2	Public	69	3.68	1.007	2.152	0.144
		Private	183	3.92	1.225		
		Total	**252**	**3.86**	**1.172**		
Expression of opinion freely	JOBSEC3	Public	69	4.30	1.129	5.248	0.023
		Private	183	3.89	1.330		
		Total	**252**	**4.00**	**1.289**		
Commitment of management not to lay off employees	JOBSEC4	Public	69	4.38	1.126	2.621	0.107
		Private	183	4.11	1.186		
		Total	**252**	**4.18**	**1.173**		
Total		Public	69	4.17	0.926	**0.635**	**0.426**
		Private	183	4.06	1.024		
		Total	**252**	**4.09**	**0.997**		

Table A8

Descriptive Statistics of Broadly Defined Job Description

Items			N	Mean	St. Dev.	F	Sig.
Job Description			**252**	**4.67**	**1.013**	**15.303**	**0.000**
Clear about job duties	JOBDES1	Public	69	4.29	1.099	12.659	0.000
		Private	183	4.89	1.215		
		Total	**252**	**4.72**	**1.212**		
Skill and qualification in the job description	JOBDES2	Public	69	4.17	1.150	14.634	0.000
		Private	183	4.82	1.211		
		Total	**252**	**4.64**	**1.227**		
Matching of job and skills	JOBDES3	Public	69	4.25	1.090	5.106	0.025
		Private	183	4.60	1.119		
		Total	**252**	**4.50**	**1.120**		
Purpose of job in job description	JOBDES4	Public	69	4.41	1.192	12.660	0.000
		Private	183	4.99	1.148		
		Total	**252**	**4.83**	**1.187**		
Total		Public	69	4.28	0.961	**15.303**	**0.000**
		Private	183	4.82	0.995		
		Total	**252**	**4.67**	**1.013**		

B. Descriptive Statistics of Organizational Learning Capability

Table B1

Descriptive Statistics of Commitment to learning and empowerment

Items			N	Mean	Std. Deviation	F	Significance
Commitment to learning and empowerment			**252**	**3.70**	**1.169**	**2.906**	**0.090**
Encouragement of management for risk and experimentation	COMMIT1	Public	69	3.65	1.570	0.280	0.597
		Private	183	3.77	1.488		
		Total	**252**	**3.73**	**1.509**		
Strategy to build learning culture	COMMIT2	Public	69	3.49	1.024	1.326	0.251
		Private	183	3.70	1.352		
		Total	**252**	**3.64**	**1.272**		
Interrelationship between learning and organizational goals	COMMIT3	Public	69	3.36	1.188	9.666	0.002
		Private	183	3.97	1.458		
		Total	**252**	**3.81**	**1.413**		
Empowerment of employees for learning	COMMIT4	Public	69	3.51	1.009	1.370	0.243
		Private	183	3.70	1.215		
		Total	**252**	**3.65**	**1.163**		
Total		Public	69	3.5036	.95341	**2.906**	**0.090**
		Private	183	3.7842	1.23474		
		Total	**252**	**3.7073**	**1.16938**		

Table B2

Descriptive Statistics of System Perspective and Clarity of Purpose and Mission

Items			N	Mean	Std. Deviation	F	Significance
System perspective and clarity of purpose and mission			**252**	**3.5942**	**1.03922**	**5.115**	**0.025**
Clarity of vision and mission	CLARITY1	Public	69	3.38	1.226	2.224	0.137
		Private	183	3.61	1.073		
		Total	**252**	**3.55**	**1.119**		
Clear understanding of the organization as a system	CLARITY2	Public	69	3.39	1.178	5.579	0.019
		Private	183	3.78	1.166		
		Total	**252**	**3.67**	**1.180**		
Understand the gap between current and desired state	CLARITY3	Public	69	3.16	1.313	9.741	0.002
		Private	183	3.72	1.260		
		Total	**252**	**3.57**	**1.296**		
Commitment towards building shared vision	CLARITY4	Public	69	3.49	1.302	0.558	0.456
		Private	183	3.62	1.207		
		Total	**252**	**3.59**	**1.232**		
Total		Public	69	3.3551	1.17449	**5.115**	**0.025**
		Private	183	3.6844	.97168		
		Total	**252**	**3.5942**	**1.03922**		

Table B3
Descriptive Statistics of Openness and Experimentation

			N	Mean	Std. Deviation	F	Significance
Openness and experimentation			**252**	**3.6081**	**1.06650**	**12.867**	**0.000**
Enjoyment in new ways of jobs	OPEN1	Public	69	3.32	1.131	5.835	0.016
		Private	183	3.73	1.240		
		Total	**252**	**3.62**	**1.223**		
Freedom to take risk	OPEN2	Public	69	3.33	1.066	8.584	0.004
		Private	183	3.80	1.142		
		Total	**252**	**3.67**	**1.139**		
Structural support for experimentation	OPEN3	Public	69	3.39	1.114	4.154	0.043
		Private	183	3.74	1.260		
		Total	**252**	**3.65**	**1.230**		
Compensation for innovation and risk taking	OPEN4	Public	69	2.86	1.019	25.549	0.000
		Private	183	3.74	1.308		
		Total	**252**	**3.50**	**1.295**		
Total		Public	69	3.2246	1.00289	**12.867**	**0.000**
		Private	183	3.7527	1.05644		
		Total	**252**	**3.6081**	**1.06650**		

C. Decriptive Statistics of Organizational Performance

Table C1
Descriptive Statistics of Market Performance

Items			N	Mean	Std. Deviation	F	Significance
Market Performance			**252**	**4.8651**	**0.914**	**6.811**	**0.010**
Operating Income	MARPER1	Public	69	4.07	1.075	29.693	0.000
		Private	183	4.79	0.867		
		Total	**252**	**4.59**	**0.980**		
Net profit	MARPER2	Public	69	4.81	1.075	11.818	0.001
		Private	183	5.29	0.948		
		Total	**252**	**5.16**	**1.005**		
Profit margin	MARPER3	Public	69	4.84	1.146	9.610	0.002
		Private	183	5.28	0.959		
		Total	**252**	**5.16**	**1.030**		
Return on equity	MARPER4	Public	69	4.91	1.081	2.454	0.119
		Private	183	5.14	1.017		
		Total	**252**	**5.08**	**1.038**		
Market Share	MARPER5	Public	69	4.64	1.163	2.717	0.101
		Private	183	4.89	1.023		
		Total	**252**	**4.82**	**1.067**		
Increase in market share	MARPER6	Public	69	4.46	1.008	14.734	0.000
		Private	183	5.03	1.051		
		Total	**252**	**4.87**	**1.067**		
Total		Public	69	4.62	0.840	**6.811**	**0.010**
		Private	183	4.96	0.920		
		Total		**4.861**	**0.914**		

Table C2
Descriptive Statistics of Employee Commitment

Items			N	Mean	Std. Deviation	F	Significance
Employee commitment			252	**4.83**	**0.83**	**3.667**	**0.057**
Proud to be part of organization	EMPCOM1	Public	69	4.52	1.023	3.372	0.067
		Private	183	4.74	0.781		
		Total	252	**4.68**	**0.858**		
Happy to spend rest of your career in this organization	EMPCOM2	Public	69	4.62	1.073	3.392	0.057
		Private	183	4.73	0.741		
		Total	252	**4.88**	**0.838**		
Enjoying discussing about the organization	EMPCOM3	Public	69	4.49	1.028	0.389	0.543
		Private	183	4.57	0.842		
		Total	252	**4.55**	**0.898**		
Taking problems being own	EMPCOM4	Public	69	4.51	1.052	9.443	0.002
		Private	183	4.89	0.811		
		Total	252	**4.79**	**0.898**		
Attachment with the organization	EMPCOM5	Public	69	4.70	0.944	1.035	0.310
		Private	183	4.83	0.937		
		Total	252	**4.79**	**0.939**		
Belief on loyalty	EMPCOM6	Public	69	4.86	1.088	16.289	0.000
		Private	183	5.38	0.842		
		Total	252	**5.23**	**0.943**		
Effort to achieve organizational goal	EMPCOM7	Public	69	4.96	1.104	3.201	0.075
		Private	183	5.20	.886		
		Total	252	**5.13**	**.954**		
Total		Public		4.67	0.90	**3.667**	**0.057**
		Private		4.89	0.79		
		Total		**4.83**	**0.828**		

Date: 30 September 2018

To The Dean

Faculty of Management

Tribhuwan University

Subject: **Ph.D. Thesis Submission for Final Seminar**

Dear Sir,

With reference to above mentioned subject it is a matter of pleasure to state that my Ph.D. registration in Faculty of Management starting from the Date of **Dec 18, 2012**, entitled "**Human Resource Management and Organizational Performance in Nepalese Commercial Banks**" has been duly completed under the able supervision of **Prof. Dr. Devraj Adhikari.**

I therefore submit 3 copies of thesis along with the recommendation letter provided by my supervisor and humbly request for your concern regarding further process and needful actions.

Sincerely Yours

……………………………

Dilliram Bhandari

Ph.D Sr. No 186

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