

E-HRM as a Strategic Enabler of Service Excellence: Empirical Evidence from Ethiopian Private Banks

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Abstract. This study examines the role of Electronic Human Resource Management (E-HRM) in driving service differentiation in the Ethiopian banking sector. Drawing on the Dynamic Capability (DC) theory, the authors propose a mediation model linking E-HRM practices, employee performance, and service quality. Data were collected through a questionnaire survey of 448 employees and customers of 16 private banks in Ethiopia and analyzed using Structural Equation Modeling (SEM) with AMOS. The results indicate that E-HRM practices have a significant positive effect on employee performance and service quality and that employee performance partially mediates the relationship between E-HRM and service quality. The findings highlight the strategic importance of E-HRM in enhancing the human capital and organizational capabilities of banks to deliver superior service and gain a competitive advantage. The study contributes to the literature by providing empirical evidence for the E-HRM - service quality link and the mediating role of employee performance and offers practical implications for bank managers and HR professionals in leveraging E-HRM for service differentiation.

Keywords: Banking Sector, Employee performance, Dynamic Capability Theory, Information Technology, Relational E-HRM, Service Quality

1. Introduction

In the brutally competitive field of service firms, delivering exceptional service is no longer a mere differentiator; it's a survival imperative (Parasuraman et al., 1988). Scholars have consistently proven that service quality leads to substantial benefits for the organization. For instance, Bloemer & Kasper (1995) confirmed that service quality positively correlates with customer loyalty, a crucial factor in determining a firm's long-term success. This notion is supported by Berry & Parasuraman's (1997) assertion that service firms constantly strive to provide high-quality services since it is very important to them.

The quality of services rendered is influenced by various elements, such as organizational culture (Moti, 2022), employee empowerment (Peters et al., 2008), employee performance (Thevaranjan & Ragel, 2016), and Technology (Minh and Dan, 2023). Among all, employee performance is the one that affects service quality the most due to its intangibility, perishability, and heterogeneity nature (Thevaranjan and Ragel, 2016). Similarly, Thevaranjan & Ragel (2016) argued that employee performance is now given more weight than any other consideration by service providers when assessing the quality of their services.

Besides, robust HRM practices act as crucial drivers of employee performance enhancement. Increasingly, organizations are leveraging E-HRM to facilitate and optimize their HR functions (Zhang and Chen, 2023). E-HRM supports HR-related decisions like performance management, recruiting, training, selection and compensation (Lengnick-Hall and Moritz, 2003, Lepak et al., 2005, and Parry & Tyson, 2011). Several researchers have researched to examine the association between E-HRM and performance of employees (Babaei et al., 2015; Karunarathna & Nanayakkara, 2021; Nurshabrina & Adrianti, 2020) and found a direct correlation between the application of E-HRM practices and the performance of employees.

Moreover, researchers study the impact of E-HRM linked with firm performance (Elsawy & Elbadawi, 2021; Ganesan et al., 2020; Hammouri et al., 2023; Hussien Al-Hmouze & Salameh, 2016). However, firms' performance is affected by numerous factors such as market conditions, consumer preferences, regulatory changes, technological advancements, and competitive pressures (Agarwal & Azim, 2022; Fatihudin et al., 2018). Similarly, Ruël et al. (2004) argued that determining an outcome such as cost reductions or return on investment due to e-HRM is very difficult for organizations. Therefore, quantifying the influence of E-HRM on the overall performance of firms is ambiguous, given the potential presence of numerous confounding factors. However, financial firms can enhance employee performance through the application of efficient E-HRM practices to the attainment of service differentiation and competitive advantage. So, connecting E-HRM functions with employee performance and providing quality service makes sense. As far as the researchers are aware, no prior research has connected E-HRM with service quality.

Furthermore, while the effect of E-HRM is being examined globally (Qamari, 2022), most studies on E-HRM have been concentrated on developed nations (Bondarouk, Parry and Furtmueller, 2017) and countries classified as third-world and developing nations are less inclined to engage in the study of E-HRM (Ibrahim et al., 2023). In addition, HRM practices in Ethiopia exhibit significant differences in comparison to those in Western nations. These differences can be ascribed to diverse factors, such as cultural features and economic systems (Wasbeek, 2004). Thus, carrying out this research in the context of Ethiopia provides new insights to already in existence.

Motivated by existing literature, empirical findings, and identified gaps, the researchers proposed an innovative study to unravel the association between relational E-HRM practices, employee performance, and service quality delivery within Ethiopian private commercial banks and proposed to address the following objectives:

1. To examine the relationship between E-HRM practices and service quality.
2. To assess the mediating effect of employee performance in the relationship between E-HRM practices and service quality.

This study fills a significant vacuum in the literature by examining the previously unstudied relationship between E-HRM practices and service quality. Through the analysis of this link and the evaluation of employee performance's possible mediating role, this study provides fresh insight into the ways in which E-HRM can affect an organization's capacity to provide top-notch services.

2. Theoretical Back Ground: Dynamic Capability (DC) Theory

The field of E-HRM study is intricately linked to multiple domains within the realm of business and management research (Bondarouk, Ruël and Looise, 2011). Within the vast landscape of business and management theories, the DC theory emerges as a compelling choice for this investigation due to its inherent intertwinement with both HRM and IT practices.

The primary origins of DC theory can be traced back to the resource-based view (Wernerfelt, 1984). This theoretical framework posits that the primary driver of competitive advantage depends in the ownership of valuable, rare, inimitable, and non-substitutable (VRIN) resources; nevertheless, its narrow view of successful businesses doesn't take into account their flexibility and ability to grow in shifting environments. Teece et al. (1997) described DCs as the ability of the company to successfully integrate, enhance, and modify both internal and external capabilities in order to achieve a sustainable competitive advantage. DC view model argues firms achieve a competitive advantage by developing and deploying dynamic capabilities, which are the skills and abilities to learn, adapt, and innovate (Teece, Pisano and Shuen, 1997).

During the rapid advancement of technology and the dynamic nature of the business environment, there exists considerable difficulty in adhering to a definitive framework for effectively managing HR within both organizational and global contexts. To reduce this, cloud-based computing integration is progressively being incorporated into the HRM process, which lowers the complexity involved in managing HR called E-HRM (Willcocks, Venters and Whitley, 2013).

In view of DC Theory, HRM can significantly improve employee performance by making an organization more flexible and adaptable, which enables it to successfully respond to the constantly changing business environment by adjusting its HR resources with changes (Nejib Ben Moussaa, 2020; Nurlina et al., 2020). For instance, talent gaps and possible high performers can be found by using e-HRM systems to gather and evaluate real-time performance data. This enables businesses to swiftly modify their compensation plans, training curricula, and methods for attracting personnel to take advantage of new opportunities (Raiya Umar, Abdulkadir Yammama and Otse Shaibu, 2020). Likewise, E-HRM systems make it easier for teams and departments to collaborate and share knowledge. In the end, this improves performance by promoting creativity, innovation, and quick response times to market changes (Friday Ogbu Edeh and Uche, 2018). Moreover, finding the finest candidates for particular tasks is made easier when a diversified pool of talent is accessible globally, which may result in higher-performing staff members (Nanayakkara, 2020). These all, in turn, foster the development of a highly skilled workforce that readily adapts to the fast-paced and ever-changing business environment, enabling them to excel in delivering high-quality services to clients.

3. Empirical Literature Review

3.1.E-HRM and Quality Service Delivery

Scholars employ different variables to investigate organizational success. Service quality is one way that a corporation tries to set itself apart from its rivals W.A.D.S.Wijetunge (2016). This notion is supported by Florida et al. (2015). According to him, service quality is a tool for competitive advantage by providing unique service for clients. In addition, a study by Khalid et al. (2014) showed that service quality is regarded as a means of competitive advantage.

Furthermore, Li et al. (2006), in their study, explored the competitive advantage constructions' aspects of price/cost, service quality, delivery trustworthiness, product innovation, and time to market and argued that firms that provide quality services have more competitive advantages. Farber & Wycoff

(1991) similarly argued that excellent customer service has been advocated as a requirement for success in today's corporate environment. Given the apparent link between service quality and revenue, it should come as no surprise that many organizations today attempt to "delight" their clients by providing great service.

Although business owners and financial staff often prioritize financial issues, non-financial considerations like efficient HRM processes are as important for attaining long-term commitment outcomes for the company (Alomari, 2023). This notion is supported by Redman & Mathews (1998) HR is critical to ensuring financial institutions give their clients high-quality services, which is required for their survival and growth. Parry (2011) also posited that organizations implement E-HRM to improve productivity and service delivery, promote standardization and enhance the organizational image. As we discussed before, E-HRM can significantly improve firms' traditional HRM practices and lead to a more efficient, engaged, and productive workforce that can deliver quality service to clients.

3.2.E-HRM and Employee Performance

Guest & Guest (1997) argue that possessing high levels of talent is a factor that leads to the acceptance of superior behaviours, resulting in enhanced quality performance and productivity. Similarly, Bondarouk & Ruël (2013) also contended that implementing E-HRM has the possible to enhance organizational efficiency by optimizing HR's effectiveness in leveraging 'Human Capital' to establish a competitive advantage. Employees are now reaping the benefits of E-HRM as HR shifts from manual to internet-based HRM (Beardwell and Thompson, 2016). Therefore, it is evident that E-HRM directly affects how well workers perform at work. The study done by Farhan et al. (2021) confirms that E-HRM has a beneficial effect on staff productivity. In addition, Karunarathna & Nanayakkara (2021b) have found a direct correlation between the implementation of E-HRM practices and the work performance of employees. Furthermore, Nurshabrina & Adrianti (2020) found a strong and statistically significant connection between E-HRM activities and employee performance. Babaei et al. (2015) also claimed that automated HRM plays a key role in boosting staff talents and can lead to efficient service quality. This demonstrates how E-HRM enhances employee performance.

3.3.Employee Performance and Service Quality

HRM is crucial for attaining organizational goals and objectives, and employees performance has a significant role in the accomplishment of these goals (Opatha, 2009). Empirical data supports the idea that consumer perceptions of a company's level of service quality are influenced by employee performance, and this, in turn, influences customers' propensity to return to the business (Borucki & Burke, 1999; Bowen & Schneider, 1986). Furthermore, prior investigations have established a noteworthy correlation between staff performance and service quality (Hanafi & Ibrahim, 2018; Bharati & Berg, 2003; Vannirajan & Manimaran, 2009). This demonstrates how staff performance has a significant effect on a company's service quality.

3.4.E-HRM, Employee Performance and Service Quality: A Mediation Model

The association between E-HRM and firms performance is significant as it enables the efficient attraction and selection of talented individuals, develops a collaborative and inventive work environment, and ultimately leads to enhanced productivity and performance (Hammouri, Ismail and Abualrejal, 2023). In addition, Hussien Al-Hmouze & Salameh (2016) asserted that the primary aim of adopting an E-HRM system is to improve the overall performance of the organization by creating a motivated workforce. Similarly, Mansour et al. (2024) argued that the deployment of E-HRM has a significant and beneficial impact on all aspects of organizational excellence. Bondarouk & Ruël (2013) also contended that E-HRM may improve organizational efficiency by boosting HR's performance to confirm that 'Human Capital' can contribute to the creation of a basis for distinction. The ability of personnel to carry out their given jobs is the key foundation for the organization's goals and objectives.

Literature has put out a number of theoretical claims to explain why using E-HRM improves employee performance and enhances service quality. In this study, the theoretical concept of moderate determinism is applied. The moderate determinism approach holds that technology has a significant role in explaining both individual and organizational performance. This demonstrates how staff performance has a significant impact on a firm's service quality (Strohmeier, 2009). Grounding on these theoretical foundations and empirical findings, we can say that employee performance mediates the relation between E-HRM and firms' service quality delivery.

4. Research Model

DCs theory serves as the foundation for the research model's development. According to the DC perspective model, companies can gain a competitive edge by creating and utilizing dynamic capabilities, or the know-how to adapt, learn, and innovate (Teece, Pisano and Shuen, 1997). organizational can increase their employee efficiency by optimizing HR's effectiveness and leveraging 'Human Capital' to establish a competitive advantage Bondarouk & Ruël (2013). Thus, this theory supports this research model by highlighting how E-HRM practices can equip employees with the knowledge, skills, and motivation needed to continuously adapt and improve. This enhanced employee performance then acts as a mediator, translating effective E-HRM into superior service quality. In essence, E-HRM fosters dynamic capabilities within employees, ultimately leading to a competitive advantage through better service delivery.

Service quality is viewed as the dependent variable, employee performance is considered as the mediating variable, and relational E-HRM functions as the independent variable. The relationship between these variables is demonstrated in the previous sections. In this instance, we provide a model that will act as a conceptual framework for interpreting the findings, carrying out the analysis, and making conclusions. What makes this model significant is the connection between employee performance and service quality and relational E-HRM, as well as the manner in which this relationship functions.

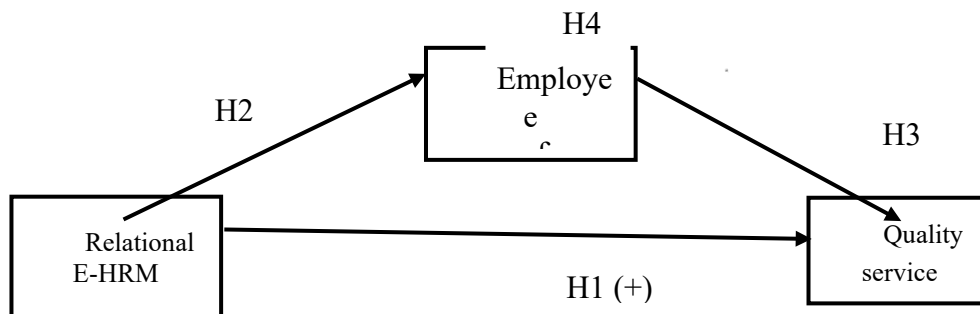


Fig.1: Research model.

Source: Researcher's compilation 2022/23

The study hypotheses that are displayed as follows are illustrated by the proposed model:

H1: E-HRM functions have a positive and significant impact on the delivery of service quality.

H2: E-HRM functions have a positive and significant impact on employee performance.

H3: Employee performance has a positive and significant impact on service quality.

H4: Employee performance mediates E-HRM functions and service quality delivery

5. Methodology

5.1. Sampling Procedures

This research targets private banks that operate in Ethiopia. In Ethiopia, there are a total of 30 private banks. Sixteen banks were picked from among them. Their founding year was a criterion for selection. Since E-HRM implementation requires time and high investment, banks founded less than ten years ago were not included. The eastern district was chosen as the target population because it is located on a vast, flat plain between Addis Ababa (Ethiopia's capital) and Djibouti port, and it is rapidly becoming the country's primary commercial hub. The region has a high density of economic activity, especially markets, which cause considerable flows of goods and people in a variety of dimensions. The study population consisted of headquarters and branch managers, IT specialists, supervisors, customer service representatives, HR specialists, and other non-manager staff to analyze E-HRM practices and employee performance.

The sample size is determined by A-priori sample size calculation, and the overall sample size was 499, and 458 of the questionnaires were returned, representing 91.78 % of the intended sample size. However 10 of the questionnaires were incomplete; therefore, 448 questionnaires were used for analysis. Hence customers are the only ones who may evaluate the service quality provided by firms, 448 consumers from randomly selected 32 branches in the country's eastern region have been selected for investigation. To ensure a representative sample, the researchers employed a systematic method. Given the anticipated daily customer traffic of 350 at medium-sized private bank branches in Ethiopia, every 10th customer arrival is selected as part of the sample till it becomes equal to the number of respondents in the independent variable.

5.2. Measures and Scales

The questionnaire items employed to assess the study variables were drawn from existing research. The latent variable 'Relational E-HRM' was evaluated using a 5-point Likert item scale, comprising 25 elements categorized into five dimensions. These are e-recruitment, e-selection, e-training, e-performance management, and e-compensation. The questions have been obtained from Al-Raisi et al. (2011), Bodea, C., Bodea, V., & Zsolt (2003), Bondarouk, Ruël, et al. (2017), Frayne & Geringer (2000), Junejo et al. (2019), Namasaka et al. (2020), and Stone et al. (2015). The mediating variable of employee performance was evaluated using a 5-item scale derived from (Koopmans et al., 2014). In addition, the latent variable of service quality is assessed using a Likert scale questionnaire with 18 items distributed across four dimensions: Service Reliability, Staff Responsiveness, Service Assurance, and Staff Empathy. This questionnaire has been adopted from Cronin, J. & Taylor, S. 1992).

A pilot test was conducted before gathering data. According to Baker (1994) a pilot study's sample size should be between 10% and 20% of the study's ultimate sample size. As a result, the researcher gave 90 questionnaires to the chosen subjects, 10% from each target group—that is, from customers and employees. Out of the 90 surveys that were distributed, 75 (83.3%) were gathered and examined for additional modification. Using SPSS, the gathered data was examined using simple statistical techniques. As a result, the pilot instrument's validity and reliability demonstrated that the questionnaire satisfied the requirements to be employed in the primary investigation. As a result, the study continued with gathering the final data without making any more changes to the questionnaire.

To examine the data, we first established a strong basis by employing AMOS for CFA before moving on to the investigation of second-order complexity. This initial step served two crucial purposes: Validating measurement models and establishing the second-order construct. We assessed the psychometric properties of the first-order constructs, e-recruitment, e-selection, e-training, e-performance appraisal, and e-compensating, ensuring they reliably captured their intended theoretical meanings. This involved examining factor loadings, composite reliability estimates, and convergent and discriminant validity. Once confirmed, the measurement models for all first-order constructs were combined to represent Relational E-HRM as a reflective second-order construct. This involved

specifying appropriate indicator relationships and assessing the overall model fit through indices like CMIN/df, GFI, and RMSEA. The same procedure is done for service quality.

With the foundation laid, we moved to the core of the study – examining the hypothesized relationships between Relational E-HRM, Employee Performance as a mediating variable, and Service Quality as the dependent variable. We utilized AMOS to estimate a structural equation model. We employed bootstrapping techniques to rigorously evaluate the mediating role of employee performance.

Throughout the analysis, we meticulously assessed model fit indices like CMIN/df, GFI, and RMSEA, ensuring the model adequately represented the underlying data. Additionally, we employed modification indices and model specification techniques to refine the model and enhance its overall fit.

6. Measurement Model

Typically, exploratory factor analysis (EFA) is employed in scale creation to ascertain the latent structure of a measurement instrument (Brown, 2015). It is common for EFA to use the pattern matrix to show how each variable affects each part, and the factor loadings of each variable on each factor are shown in each column and row (Watkins, 2021). High factor loadings (numbers near 1 or -1) in a pattern matrix indicate a significant contribution to factor evaluation. A robust association between the variable and the factor is seen in this pattern matrix. Alternatively, low factor loadings, or values near zero, suggest that the factor does not fully capture the variable and should be excluded from the analysis (Brown, 2015). In this research, the loadings that were kept ranged from 0.566 to 0.949. This finding confirmed that all items that were kept for analysis satisfied the required criterion for individual item reliability. Measurement parameters, including discriminant validity, convergent validity, and internal consistency reliability, are also examined.

The model's overall goodness of fit was evaluated using the following fit measures: RMSEA, TLI, SRMR, CFI, and CMIN/df. According to conventional understanding, the GFI, CFI, IFI, and TLI values should all be larger than 0.9 and the relative Chi-square less than 5. (Byrne, 2020; Hair et al., 2014). In a similar vein, if the indices are less than 0.08, RMSEA and RMR are regarded as a good fit (Byrne, 2016). Hair et al. (2014) state that the entire model is deemed to be fit if any three or four of the aforementioned goodness-of-fit indices fall inside the cutoff points.

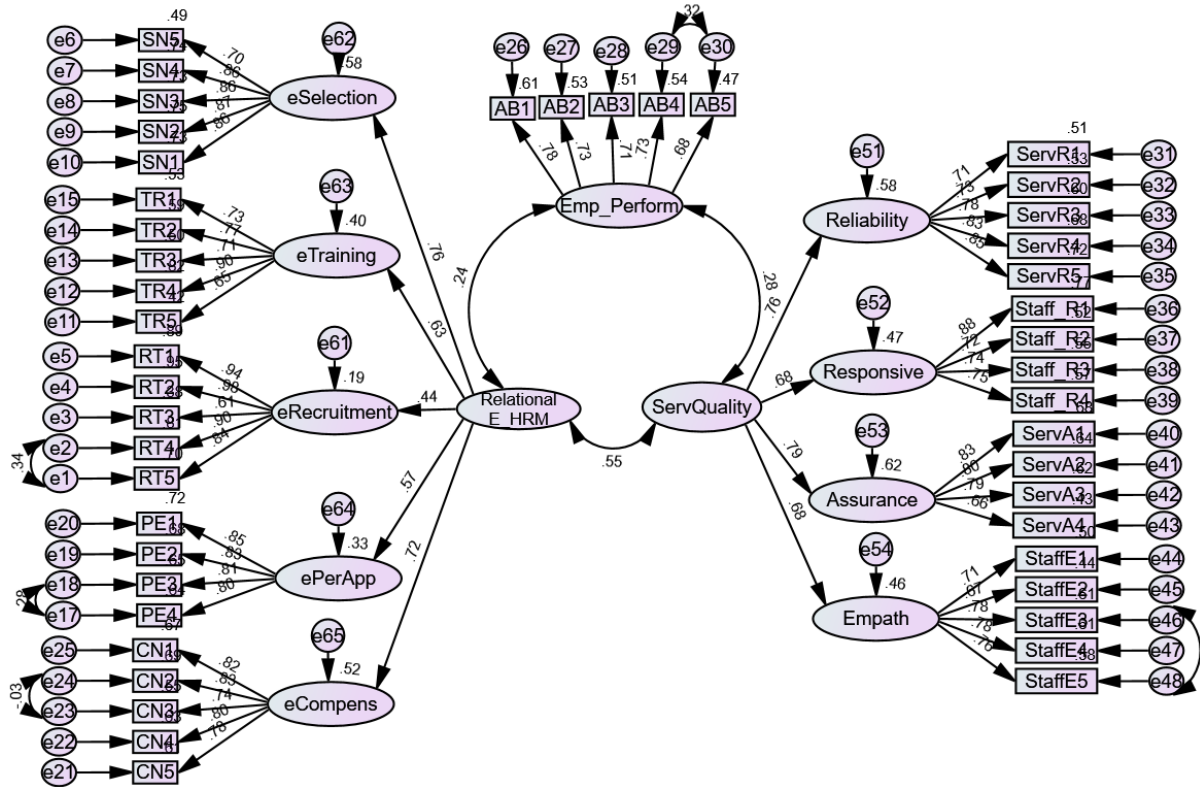


Fig. 2: Measurement Model

Source: Survey, 2022/23

The results of the measurement model are as follows: RMSEA (≤ 0.08) = .055, CMIN/DF (≤ 5) = 2.365, CFI ($\geq .9$) = .901, IFI ($\geq .9$) = .902, and Standardized RMR (≤ 0.08) = .0584. Each value stayed inside the parameters of what was deemed normal. Thus, the investigator came to the conclusion that further research can be done using the structural model since it fits the goodness-of-fit indexes.

Table 1: Measurement Properties

	CR	AVE	Service Quality	Employee Performance	Relational E-HRM
Service Quality	0.818	0.531	0.729		
Employee Performance	0.850	0.532	0.280	0.730	
Relational E-HRM	0.765	0.502	0.552	0.241	0.634

Source: Survey, 2022/23

6.1. Internal Consistency Reliability

Bijttebier et al. (2000) state that the degree to which each item assesses the same idea determines the reliability of each scale. Two commonly used methods for evaluating internal reliability are composite reliability and Cronbach's alpha, according to Bacon et al. (1995). A composite reliability coefficient was used in this study to investigate each item's internal consistency. A construct is deemed to meet the composite dependability requirement when it scores 0.7 or above (Hair, Ringle and Sarstedt, 2011). Table 1 shows that the composite reliability values of all the investigation's components ranged from 0.765 to 0.850. These coefficient values indicate that the internal consistency reliability of each study variable is good.

6.2. Convergent Validity

The degree to which items measure the same underlying construct and show how they relate to other measures that assess it is called convergent validity (Hair *et al.*, 2006). The researchers employed the Average Variance Extracted (AVE) method to assess the convergent validity of the latent constructs. This was completed in accordance with the stipulation that AVE loadings for every latent concept be 0.5 or greater, as per Chin's (1998) guidelines. Table 1 shows that the relative AVEs for relational E-HRM, employees' performance, and service quality are 0.502, 0.531, and 0.532, respectively. The investigation has thus proved convergent validity.

6.3. Discriminant Validity

Here, our goal was to assess each latent variable's discriminant validity. The rules established by Fornell & Larcker (1981) were used to evaluate discriminant validity. According to these rules, the square root of the average extracted variance must be greater than the correlations between the latent variables that are found. The relations between the latent constructs and the square root of the AVE values are shown in Table 1. The values of AVE are displayed in bold. It may be deduced that all of the latent constructs demonstrated acceptable discriminant validity since all of the square roots of AVE values exceeded the correlations. As a result, it was found that every variable measure met the requirements for discriminant validity.

After conducting thorough assessments of Internal Consistency Reliability, Convergent Validity, and Discriminant Validity, we found that none of the measurement items were rejected. The data collected from these items demonstrate robustness and validity, ensuring the quality of our research.

Table 2. Descriptive Statistics and Correlations Between Variables

Variables	M	SD	1	2
Service Quality	3.64	.40		
Employee Performance	3.74	.54	0.280***	
Relational E-HRM	3.0	.34	0.552***	0.241***

***p < .001.

Source: Survey, 2022/23

As shown in Table 2, the mean service quality score is approximately 3.64, with a standard deviation of 0.40. Similarly, the mean employee performance score is roughly 3.74, and its standard deviation is 0.54. Additionally, the mean relational E-HRM score is approximately 3.0, with a standard deviation of around 0.34.

Table 2 also demonstrates that employee performance and service quality have a positive connection (***, with a coefficient of 0.280). This implies a positive correlation between improved service quality and higher employee performance. Similarly, relational E-HRM and employee performance have a substantial positive association (***, coefficient of 0.552). This suggests that companies with intensively implement E-HRM typically have employees that have better performance. Furthermore, there is also a favorable association (***, coefficient of 0.241) between relational E-HRM and service quality. This shows that businesses that prioritize relational E-HRM techniques might also provide higher-quality services.

7. Evaluation of Structural Model

Figure 2 shows how to use latent constructs in a route analysis technique to explore the structural link between variables. This research seeks to understand how employee performance, service quality, and the Relational E-HRM function relate to each other. The association between Relational E-HRM

practices and the quality of services rendered is hypothesized to be directly correlated in this study. The connection between Relational E-HRM and Service quality is also mediated by employee performance.

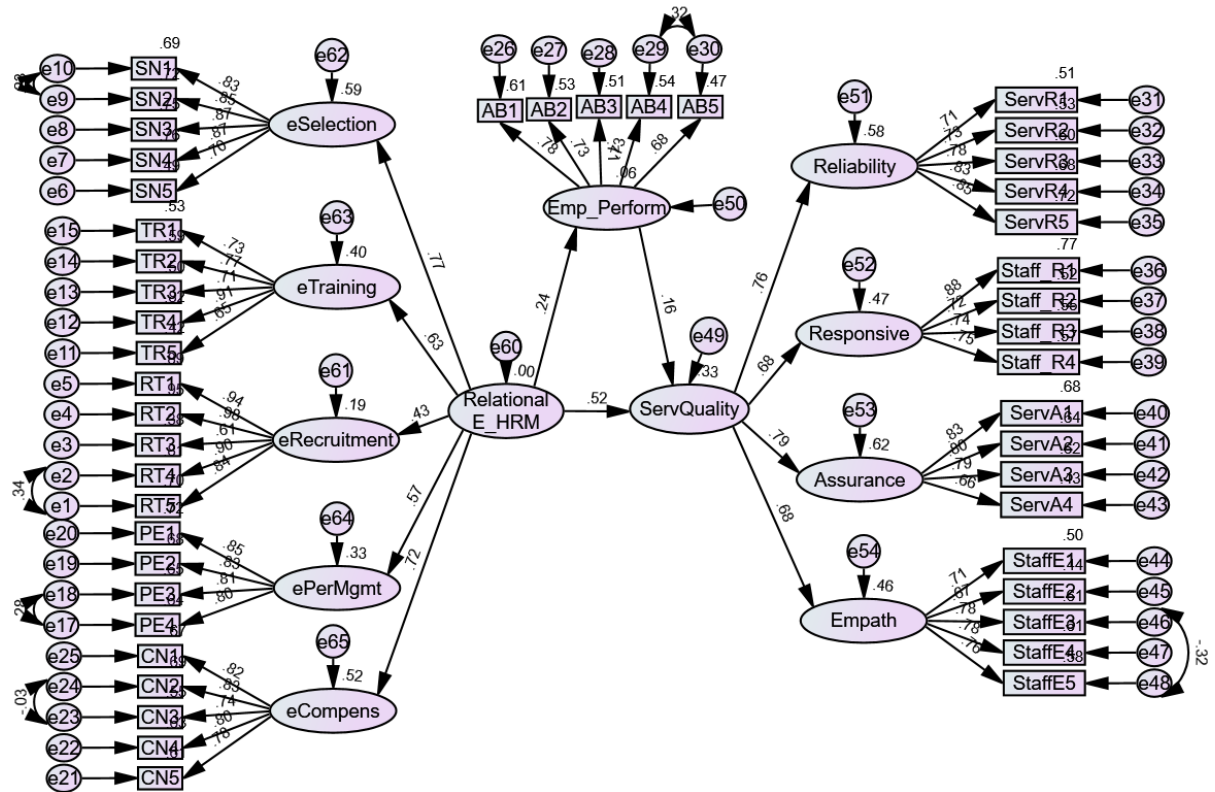


Fig. 3: Structural Model

Source: Survey, 2022/23

After evaluating the measurement model, the next step in data analysis involves testing the structural path coefficients and their statistical significance. This is done using the AMOS Graphical approach with the maximum likelihood estimation method for SEM, as shown in Figure 2, RMR was 0.0584 (below the threshold of 0.08), CMIN/DF was 2.365 (within the acceptable range of 5 or lower), CFI was 0.901 (meeting the criterion of 0.9 or higher), IFI was 0.902 (also exceeding 0.9), and RMSEA was 0.055 (below the threshold of 0.08). These values fell within the generally accepted bounds for model fit. The R-squared value of 0.33 of the model indicates that approximately 33% of the variability in service quality can be attributed to the combined influence of E-HRM and employee performance.

8. Results

Table 3: Direct Effect of Relational E-HRM Practices on Firms' Service Quality

IV	DV	Estimate	SE	CR.	P
EmpPerfor	Relationale_HR	.536	.14	3.70	**
m	M		5	2	*
ServQualit	Emp_Performance	.135	.04	2.80	.00
y	ce		8	3	4

IV	DV	Estimate	SE	CR.	P
ServQualit	<-- Relational_E_H	.988	.16	5.88	**
y	- RM		8	3	*

Source: Survey, 2022/23

Table 3 shows the results of a structural equation modelling (SEM) analysis, which is a statistical technique to test the associations between latent variables, and it shows that Relational E-HRM has a positive and significant effect on performance of employee (Estimate = .536, P < .001); employee performance has a positive and significant effect on service quality (Estimate = .135, P = .004); and relational E-HRM also has a positive and significant effect on service quality (Estimate = .988, P < .001). This means that the more the organization uses E-HRM, the better the employees perform and the higher the quality of service they provide.

Table 4: The Mediating Role of Employee Performance in the E-HRM - Service Quality Connection

Exogenous Variable	Direct Effect	Indirect Effect	Confidence Interval		P Value	Total Effect	Decision
			Lower bound	Upper bound			
SQ	<---						Partial
EP	.534	.072	.017	.180	.015	.606	Mediation
HRM							

Source: Survey, 2022/23

Bootstrapping is a widely used resampling strategy in the assessment of indirect effects (Preacher & Hayes, 2008; Shahanaghi et al., 2012). This study uses the bootstrap process with a sample size of 2,000 (other researchers, including Preacher & Hayes (2008), recommend using at least 1,000 or even 5,000 samples). The purpose of this process is to determine a 95% confidence interval that has been adjusted for bias to evaluate the role that employee performance has in mediating the association between Relational E-HRPs and service quality. The results of this study, as indicated in Table 4, show that the estimate of Relational E-HRM is positive and statistically significant on firms' service quality. The confidence interval indicates that there is a 95% chance that the true value of Relational E-HRM lies between 0.015 and 0.180. The bootstrapping value of 0.017 suggests that the estimate is reliable and not due to chance. Overall, the data suggests that relational E-HRM, through employee performance, has a statistically significant indirect impact on service quality.

Table 4 further shows the direct, indirect, and total effects of Relational E-HRM on service quality. Direct effect: This is the effect of Relational E-HRM on service quality, holding all other variables constant. In this case, the direct effect is 0.534. This means that a one-unit increase in Relational E-HRM is associated with a 0.534-unit increase in the outcome variable. Indirect effect: This is the effect of Relational E-HRM on service quality that is mediated by the performance of employees in the model. In this case, the indirect effect is 0.072. This means that a one-unit increase in Relational E-HRM leads to a 0.072 unit increase in the outcome variable through its effect on other variables. The relationship between E-HRM practices and service quality is partially mediated by employee performance. Total effect: This represents the total impact, accounting for both direct and indirect impact. In this case, the total effect is 0.606. This means that a one-unit increase in Relational E-HRM is associated with a total of 0.606 unit increase in service quality. Overall, the table suggests that relational E-HRM positively and significantly impacts service quality.

9. Discussion

Determining whether Relational E-HRM practices, employee performance and firms' quality service in Ethiopian private banks was one of the main purposes of the study, and the study was driven by the central question: Can employee performance variables substantially increase the effect of E-HRM use on companies' service quality delivery, making them eligible to be extents of E-HRM configurations that improve firms' service quality?

H1: E-HRM functions have a positive and significant impact on service quality delivery.

The results of the direct effect of E-HRM on service quality analysis show that e-HRM application on service quality is positive and statistically significant (Estimate = .988, $P < .001$). As a result, Hypothesis 1 has strong support. To support this result by previous research findings, to the best of the researcher's knowledge there are no studies that specifically examined the relationship between e-HRM and service quality. Consequently, the results of the present study cannot be directly compared to the existing literature to form an argument or affirmation. However, Elsayy & Elbadawi (2021), Khashman & Al-Ryalat (2015), and Meunluang & Ugaddan (2015) recognized that there is a strong relationship between E-HRM application and business efficiency. In conclusion, a positive association between E-HRM and a firm's service quality creates a mutually beneficial situation for both employees and the organization. By empowering employees and focusing on their development, E-HRM can contribute significantly to enhancing service quality, customer satisfaction, and, ultimately, organizational success.

H2: E-HRM functions have a positive and significant impact on employee performance.

E-HRM and employee performance are positively and strongly correlated, as hypothesized (Estimate = .536, $P < .001$). As a result, Hypothesis 2 has strong support. This implies there is a clear and substantial connection between the use of E-HRM practices and improved employee performance. This means that organizations that effectively implement e-HRM tools and strategies can expect to see a significant boost in their employees' efficiency and overall effectiveness. This finding aligned with (Deshwal, 2015; Elsayy & Elbadawi, 2021; Khashman & Al-Ryalat 2015; Khashman, 2019)

H3: Employee performance has a positive and significant impact on service quality.

Employee performance and service quality are positively and significantly correlated, as expected (Estimate = .135, $P = .004$). As a result, Hypothesis 3 has strong support. This implies that there is a positive and statistically significant correlation between employee performance and service quality. This means that, as expected, improvements in employee performance are likely to lead to improvements in service quality. This conclusion is supported by the findings of Hanafi & Ibrahim (2018); Bharati & Berg (2003); and Vannirajan & Manimaran (2009).

H4: Employee performance mediates the association between E-HRM use and firms' service quality.

The findings of the mediation investigations indicate that E-HRM use has a positive and statistically significant indirect effect on organizational service quality. As a result, Hypothesis 4 is accepted, and successful mediation is observed. This research intended to address a gap in the literature, and the results establish that employee performance mediates the connotation between E-HRM use and firm performance, specifically service quality delivery. This finding implies that management should implement HRM practices that enhance employee performance to achieve high-quality service delivery from E-HRM use; hence, effective E-HRM fosters high employee performance, leading to increased firm service quality.

DC Theory can support the overall finding of this study. From the lens of DC Theory, E-HRM practices act as strategic tools to enhance organizational adaptability and performance. By streamlining talent acquisition, development, and engagement through digital platforms, E-HRM fosters continuous learning, knowledge sharing, and agile decision-making within the workforce. This enables organizations to rapidly sense and respond to shifting market demands, ultimately improving service quality, innovation, and competitive advantage in a dynamic business environment.

Gust's theory can also support the finding of this study. According to Guest (1997), the skills of employees are critical in determining how well a company's Human Resource practices (HRPs) align

with its customer service standards. Additionally, Guest makes an argument that the performance of employees will positively impact the quality of services the business offers. Karunaratna & Nanayakkara (2021b) further suggested that E-HRM might be used to successfully foster an excellence culture within the context of overall quality management, which would increase staff commitment to upholding high standards of quality. In addition to Gust's model, the value chain model also links the HRM activities (Relational E-HRM), HRM results (Employee performance), and organizational outcome (Service quality). Consequently, this research aimed to determine and examine the causal relationship between employee performance, service quality, and relational E-HRM practices.

10. Conclusion

In conclusion, this study provides empirical evidence for the strategic role of E-HRM in driving service differentiation in the Ethiopian banking sector. The findings suggest that E-HRM practices, such as e-recruitment, e-selection, e-training, e-performance management, and e-compensation, can enhance employee performance and service quality, both directly and indirectly. The study highlights the mediating role of employee performance in the relationship between E-HRM and service quality, indicating that E-HRM can improve service delivery by fostering a more skilled, motivated, and engaged workforce. The results align with the Dynamic Capability theory, which posits that firms can achieve a competitive advantage by developing and deploying dynamic capabilities, such as the ability to integrate, build, and reconfigure internal and external resources.

The study contributes to the literature by extending the research on E-HRM to the context of a developing country and the banking sector, and by providing empirical support for the E-HRM - service quality link and the mediating role of employee performance. The findings have important implications for bank managers and HR professionals, who can leverage E-HRM as a strategic tool to differentiate their services and gain a competitive edge in the market. They can strategically utilize E-HRM by implementing the following key takeaways:

- Allocate resources towards adopting E-HRM practices by incorporating e-recruitment, e-selection, e-training, e-performance management, and e-compensation systems. Implementing these strategies can effectively attract, cultivate, and maintain a highly skilled and productive team.
- Enhance employee performance: Through the implementation of streamlined HR procedures and the provision of specific training options, E-HRM empowers staff to provide outstanding service.
- Enhance the capabilities and motivation of the workforce: E-HRM cultivates a culture of ongoing learning and growth, resulting in a workforce that is more skilled, motivated, and committed. This directly results in enhanced service quality.

We can extend this result to other service-providing firms based on the assumptions of: First as key elements of service delivery: Numerous service sectors depend on employee engagement and specialized knowledge to provide high-quality service. E-HRM has the potential to enhance employee performance in certain specific domains, hence resulting in an improvement in service quality. Second, the applicability of E-HRM techniques, including recruitment, selection, training, and performance management, extends across other service sectors. The efficacy of these methods in augmenting personnel capacities can result in enhanced service quality.

11. Theoretical and Empirical Contributions

This study demonstrates the beneficial effects of implementing E-HRM on the quality of service in firms through the improvement of employee performance. By utilizing this practical information, organizations may enhance their E-HRM practices to maximize their influence on service delivery, resulting in a competitive advantage and increased levels of customer satisfaction. The study contributes

to the academic community by revealing the role of employee performance in mediating the connection between E-HRM and service quality. This enhances the resource-based approach by incorporating a perspective focused on human resources. This deepens our understanding of the strategic role of HR in attaining service excellence, paving the way for further exploration into specific E-HRM techniques and their subtle impacts on employee performance and service quality.

12. Limitations of the Study

This study has some limitations, such as the cross-sectional design, the reliance on self-reported measures, and the focus on a single sector. Future research can address these limitations by using longitudinal or experimental designs, multi-source data, and comparative studies across different contexts.

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