

Human Resource Management Practices and their Influence on Organizational Performance: An Analysis of the Situation in the Nigerian Insurance Industry

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Abstract

Effective utilization of human resources has been recognised as a strong factor that paves the path to achieve organizational goals. This study investigates the influence of human resource management practices on organizational performance with particular reference to Nigerian insurance industry. A structured questionnaire was used to collect the data from two hundred (200) respondents through purposive sampling technique. Descriptive Statistics and Ordinary Least Square method were used to analyse the data. Results show that human resource management practices jointly influence organizational performance at 1% level of significant. Results also indicate that human resource management practices contribute 88.3% to organizational performance. The study concludes that human resource management practices are major factors that influence organizational performance in Nigerian insurance industry. Study also confirms that employee participation has the highest influence on organizational performance followed by career planning systems and performance appraisal. Study also reveals that selection processes and compensation systems in Nigerian insurance industry are still below industry standard. Subsequently, the study recommends that the human resource department should be given free hand without undue interference to select suitable candidates and management should review salaries, commissions, and allowances upwardly on a regular basis.

Keywords: Career Planning, Selection, Compensation, Performance Appraisal, Organizational Performance.

Introduction

In today's globalized world, the insurance industry is facing changes generated by increased competition, mergers and acquisitions, shifting markets and changing employee demographics (Apere, 2015). Effective utilization of human resources has been recognised by researchers as a strong factor that paves the path to achieve organizational goals (Abdulkadir, 2012; Cascio, 2006; Delaney & Huselid, 1996; Mufeed & Rafia, 2015; Onaolapo, 2005; Osemeke, 2012). Therefore, it is crucial for the insurance industry to strategize their competitive and benefits plans in order to attract appropriate talent, maximize return on human capital and increase employees' job performance. Armstrong (2006) defines human resource management as a strategic and coherent approach to the management of organization's most valued assets, the employees who individually and collectively contribute to the achievement of the objectives of the business. According to Osemeke (2012), one of the key tasks for an organisation is the effective management of human resources. The success of any organisation is highly influenced by the calibre of its human

resources (HR), which in turn, is affected by the human resource management practices (Okoh, 2005).

Insurance industry has contributed immensely to economic growth and development in both developed and developing countries. By their unique nature, no country can experience a meaningful development without the presence of formidable insurance industry, thereby making insurance business in any nation indispensable irrespective of its quota to the gross domestic product (GDP) or its level of awareness among the populace. Nevertheless, the Nigerian insurance industry has failed in the area of human resource management, as its large numbers of staff are tendering resignation letters at frequent time intervals. In support of this observation, Apere (2015) notes that there is inadequate and irregular training of staff in the insurance industry. Majority of the insurance companies attract low-skilled personnel due to inadequate remuneration package and hence inability to retain competent employees. Onashile (2012) also confirms that Nigerian insurance sector is incessantly reducing in staff strength year in year out. This syndrome is sending negative signals to the industry in Nigeria. For Nigerian insurance industry to achieve the vision to be the insurance industry of choice among emerging markets, noted for high market capacity, transparency, efficiency and safety, to attain the position of one of the 20 largest insurance markets in the world by the year 2020, then they must attract highly skilled, committed and imaginative staff that would earn the respect of his competitors and the confidence of his customers.

Despite of many research works carried out in the field of human resource management in both developed and emerging economies of the world, there is still inadequate literature on human resource management practices and how they affect performance of Nigerian insurance industry.

It is on this note that this paper intends to examine the role of human resource management practices in Nigerian insurance industry and what could be done to checkmate this unpleasant frequent resignation of staff in the insurance sector.

Objective of the Study

The objective of this study is to examine the impact of human resource management practices on organizational performance in Nigeria insurance industry with specific reference to selected insurance companies.

Literature Review

Human resources have been considered as life wire of any economic enterprise. Recently, economists have recognised human resource besides land, capita and technology as the key factor for building and developing the nations (Lundy & Cowling, 2004). Wright and McMahan (1992) define human resource management as “the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals. According to Armstrong (2006), human resource management is a strategic and coherent approach to the management of organization’s most valued assets, the employees who individually and collectively contribute to the achievement of the objectives of the business. Minbaeva (2005) views human resource management practices a set of practices used by organization to manage human resources through facilitating the development of competencies that are firm specific, produce complex social relation and generate organization knowledge to sustain competitive advantage. In the same vein, Tan, and Nasurdin (2011) conclude that human resource management practices relate to specific practices, formal policies, and philosophies that are designed to attract, develop, motivate, and retain employees who ensure the effective functioning and survival of the organization. According to Boxall and Purcell (2001), the field of human resource management has been concerned with the study of specific human resource functional areas often categorized as

selection, training, appraisal and compensation by the field of industrial and organizational psychology.

Overview of insurance sector in Nigeria

Insurance industry in Nigeria could be traced to the British colonial trading companies who established agency offices in Nigeria, on behalf of insurance companies in UK. Before this time some forms of traditional social insurance had been in existence in every part of Nigeria. This was in the form of mutual and social scheme, which evolved through the extended family system, age grades and clan union of African cultures (Osoka, 1992). After the Nigerian political independence of 1960, indigenously owned insurance companies sprang up. According to Osoka (1992), twenty-five insurance companies were established in 1960 but only seven were indigenous and their total market share was far below 10%, which as a result of inadequacy of capital, were unable to pay claims at as when due. This inadequacy of capital coupled with lack of technical and managerial skill, poor insurance regulatory framework, brought confidence crisis and strong apathy to insurance purchase in Nigeria.

Nigeria with a population of about 166 million people has only 0.5 percent insurance penetration. This suggests that insurance in Nigeria is in an early stage. Before 2004, Nigeria's financial sector could not deliver on its defined roles as a result of a collapse or rather comatose state in which the various industries that made up the sector found themselves. To sanitize the insurance industry and allow for only capable and reputable insurance companies who were able to carry out insurance as effectively as they ought to, the minimum capital was revised and increased. As at 2003, the minimum capital for insurance companies was 150 million Naira, 200 million Naira, 350 million Naira and 350 million Naira for life insurance, general insurance, composite insurance and reinsurance, respectively. On the 15th of September, 2005, this was increased to strengthen the inefficient and rather weak industry and the companies were given 18 months to implement this. The new minimum capital became 2 billion Naira for life insurance, 3 billion Naira for general insurance and 10 billion Naira for reinsurance (Hakeem & Tajudeen, 2010). This excise reduced number of insurance companies from 103 to about 49 which had to be re-certified in order to operate effectively and efficiently. Despite of recapitalization, insurance industry is still underdeveloped and penetration of insurance is very low; according to EFiNA (2012), 86.6 million Nigerians have no form of insurance.

Babalola (2008) also observes that insurance industry's penetration and contribution to the nation's GDP remained at a low level that was less than 1%. A survey conducted (2013) by Business Monitor International (BMI) Ltd revealed that Nigeria's overall Insurance Business Environment Rating (IBER) was low compared with South Africa, Morocco, Egypt and Tunisia respectively. By this measure, Nigeria's overall insurance sector is the least attractive of any of the African countries covered in the survey by BMI. Insurance companies depend heavily on insurance brokers many of whom collect premiums on behalf of customers and do not pay the insurers timorously therefore resulting in liquidity problems for the insurers (Bhool, Madzhadzhi, Narayan, Strydom & Hearnden, 2014). Apere (2015) also observes that insurance industry does not embrace contribution of other non-insurance special skills. According to author, insurance companies place emphasis on technical skills as against specialized business skills. This restricts the growth and development of non-insurance skilled professionals within the insurance industry.

Empirical Studies on the Relationship between Human Resource Management Practices and Organizational Performance.

Mufeed and Rafia (2015) explore the impact of Human Resource Management (HRM) practices on organizational performance in Jammu and Kashmir focusing on State Bank of India. A total of 80 samples were drawn from corporate head office and various branches in Jammu and Kashmir. Out of 80 self administered questionnaires, 72 were collected and analyzed objectively with aid of Spearman's Correlation Coefficient. Result shows that HRM practices including general climate, OCTAPACE culture, selection, job definition, career planning, employee participation, performance appraisal system, training and compensation have significant association with organizational performance.

Opoku and Arthus (2015) assess the impact of human resource management practices on the performance of the Ghana Postal Services Company. The study adopted purely qualitative approach and used both primary and secondary data. The primary data were collected from management and clients of the company. Descriptive statistics were used to analyse the data. Results indicate that human resource management practices have a significant effect on organizational performance.

Kaya, Ergun and Kesem (2014) explore the effect of human resource management (HRM) practices and organizational culture on organizational cynicism. The study examines the relative influence of eight HRM practices of; i) behavior and attitudes (in recruitment and selection), ii) teamwork, iii) extensive training, iv) training in multiple functions, v) performance appraisal, vi) feedback on performance, vii) incentives and viii) carrier management on organizational cynicisms. The data collected through questionnaires from 479 employees from 5 different manufacturing firms operating in Turkey. Data was analysed through Factor Analysis, Ordinary Least Square Method and Correlation. Results show that behavior and attitudes, extensive training, training in multiple functions and incentives are negatively affecting organizational cynicism.

Abdukadir (2012) investigates the impact of strategic HRM practices on organizational performance of insurance companies in Nigeria as well as examining whether the effectiveness of strategic HRM practices on organizational performance is contingent on organizations' work place climate. A multi-respondent survey of 18 insurance companies was undertaken and data collected was subjected to regression and correlation analysis as well as descriptive statistics in pursuance of the study's stated objectives. Study results suggest that strategic HRM alignment, line management training, career planning system and job definition are the key strategic HR practices that influence organizational performance in the Nigerian insurance industry. Results also suggest that the relationship between strategic HRM practices and organizational performance in the Nigerian insurance industry is moderately influenced by organizational climate.

Gaafar (2012) examines the impact of human resource practices on organizational performance in banking sector in Saudi Arabia. The study focuses on seven variables of human resource management practices which: are training & development, performance appraisal, empowerment, compensation, job rotation, participation in decision making, and selecting system. The data instrument used for data collection was questionnaire. Descriptive statistics and correlation were used to analysis the data. The result confirms that all seven variables of human resource management practices are positively correlates with organizational performance in banking sector in Saudi Arabia.

Osemeke (2012) examines impact of HRM practices on private sector organisations performance in Nigeria. Guinness Nigeria Plc is a private sector driving entity. Simple random sampling was used to select eighty employees from Guinness Nig. Plc. T-tests were carried out to examine the relationship between the selected Human Resources practices and organization performance. The results revealed that, from the perceptions of the respondents, there exists a positive relationship between effective recruitment and selection practices, effective performance appraisal practices and Guinness's performance.

Kodjo and Changjun (2009) assess the impact of HRM practices on perceptions of firm performance through Monte Carlo Method (MCM), and the Hausman's Specification Test (HST) in the Ivorian framework. 320 enterprises were surveyed and factor analysis of 13 bundles of HRM practices was undertaken. The confirmation of the findings through simulation (MCM) permitted the examiner to authenticate the reliability of the results in using the HST. Results highlight that in the Ivorian context there are significant connections between HRM practices and firm performance; that the strategic alignment of HRM is also a driver for firm performance.

Singh (2009) studies the human resource management and organizational culture in selected private sector organizations in India. The study is based on a sample of managers from two different private organizations. The data was collected personally by the researcher and also by mail using convenience sampling with an assurance that information obtained would be kept confidential. Data was analysed with aid of Pearson Product Moment Correlation Coefficient. Result shows that recruitment, selection, and performance evaluation, training and development, career management, and rewards turned out to be strongly correlated to status enhancement in the private sector.

Anastasia (2008) examines the impact of HRM on organisational performance in the context of Greece. Data were collected from 178 organisations using a questionnaire survey in the Greek manufacturing sector, and analysed using the 'structural equation modelling' methodology. The results indicated that the relationship between HRM policies (resourcing and development, compensation and incentives, involvement and job design) and organisational performance is partially mediated through HRM outcomes (skills, attitudes, behaviour), and it is influenced by business strategies (cost, quality, innovation). Therefore, it is hypothesized that:

H₀₁: Human Resource Management Practices do not significantly influence organizational performance.

Methodology

Only primary data was used for this study. Primary data was structured questionnaires designed for respondents (senior, and junior) of the selected Nigeria insurance industry. Purposive sampling technique was used to select 10 registered insurance companies (AIICO Insurance Plc, Capital Express Insurance Company Limited, African Alliance Insurance Company Limited, Continental Reinsurance Company Plc, Leadway Assurance Company Limited, Mutual Benefit Life Assurance Plc, NICON Insurance Plc, Nigerian Agriculture Insurance Corporation, OASIS Insurance Plc and WAPIC Insurance Plc) and 20 staff from each selected insurance companies at their regional headquarters and their branches in Ibadan metropolis, totalling 200 respondents as sample size, out of which one hundred and ninety (190) responses were received, representing 95% of the total sampled. Ordinary Least Square (OLS) was used to analyse the data.

Validity and Reliability of the Research Instruments

The instruments used in this study were submitted to a panel of experts for validation. The panel carried out a content analysis of each of the questionnaires and eliminated items found to be irrelevant to the research problem. After necessary modifications, the panel of experts recommended the use of the instruments for the study. The scales were subjected to further item analysis as to determine their psychometric soundness.

Scale	No of Items	Reliability alpha coefficient
Selection System Questionnaire	10	0.86
Career Planning System	8	0.78

Questionnaire		
Employee Participation Questionnaire	11	0.76
Performance Appraisal System Questionnaire	12	0.81
Organizational Performance Questionnaire	15	0.80

Model Specification and Estimation Techniques

Human Resource Management Practices (HRMP) is measured by Selection System (SLE), Career Planning System (CPS), Employee Participation (EMP), Performance Appraisal System (PAS) and Compensation System (COS). Organizational Performance is measured qualitatively by ability to settle claims at when due, ability to satisfy clients and ability to meet the target profit level.

Organizational Performance (OGP) = f (SLE, CPS, EMP, PAS, COS)

$$OGP = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \mu_i \text{ -----(1)}$$

Where:

β_0 = intercept

$\beta_1 - \beta_5$ = Regression coefficient

μ_i = stochastic error term

Result and Discussion

Table 1. Result of Regression

Model 1	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.088	.129		-.683	.496
Selection System	.080	.052	.073	1.551	.123
Career Planning System	.324	.052	.313	6.187	.000
Employee Participation	.345	.059	.349	5.819	.000
Performance Appraisal System	.264	.056	.262	4.748	.000
Compensation System	.004	.007	.017	.656	.513
R²	0.883				
Adj. R²	0.880				
F-Value	278.105				
P- Value	0.000				
Dubin-Watson	1.577				

a. Dependent Variable: Organizational Performance

Source: Author's Data Analysis, 2016.

Table 1 reveals that human resource management practices measured by selection system, career planning system, employee participation, performance appraisal and compensation system ($R^2 = 0.883$) jointly influence organizational performance at 1% level of significant. This implies that human resource management practices are major determinants of organizational performance. This result is in agreement with Mufeed and Gulzar (2015), Opoku and Arthus (2015), Abdukadir (2012), Gaafar (2012), Osemeke (2012) and Kodjo and Changjun (2009) that human resource management practices have significant influence on organizational performance.

Furthermore, career planning system ($t = 6.187$) employee participation ($t = 5.819$) and performance appraisal system ($t = 4.748$) were independently and significantly influence organizational performance in Nigeria insurance industry positively, while the selection system ($t = 1.551$) has positive influence but insignificant. This may be because selection processes are mostly based on tribe and personal judgment of the management. Compensation system ($t = 0.656$) also found to have insignificant influence on organizational performance. Probable explanations for this could be as a result of poor pay packages in the industry.

Conclusion

This study investigates the influence of human resource management practices on organizational performance with particular reference to Nigeria insurance industry. The study concludes that human resource management practices are major factors that influence organizational performance in Nigeria insurance industry. Result reveals that employee participation has the highest influence on organizational performance followed by career planning system and performance appraisal. Result also shows that selection processes and compensation system in Nigeria insurance industry are still below expectation. The implication of this result is that, for Nigeria insurance industry to survive and wax stronger in a global competitive environment; right, competent and qualify personnel must be selected and they must be adequately motivated in order to put in their best.

Recommendations

Based on the conclusion, the following recommendations are made:

- i. Human resource department should be given free hand without undue interference to select suitable candidates and an effective labour force for the industry through appropriate form of selection and implementation procedures.
- ii. Management should review salaries, commissions, and allowances upwardly on a regular basis.
- iii. Management should allow their employees to participate in decisions making, so as to have sense of belonging.
- iv. Management should also encourage their employees to improve on their career through training, seminar, workshop and conferences in Nigeria and abroad.
- v. Performance appraisal of employees should not be bias.

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