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**THE INFLUENCE OF STRATEGIC HUMAN RESOURCE MANAGEMENT
PRACTICES ON FIRM PERFORMANCE OF INSURANCE FIRMS IN
KENYA**

MIRIAM NJENGA WAMBUI

**Submitted in partial fulfilment of the requirements for the Degree of Master of
commerce at Strathmore University**

**School of Management and Commerce
Strathmore University
Nairobi, Kenya**

June 2018

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Miriam Wambui Njenga

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Approval

The thesis of Miriam Wambui Njenga was reviewed and approved by the following:

Dr. Beatrice Dimba

Senior Lecturer, School of Management and Commerce
Strathmore University

Prof. David Wang’ombe,

Dean, School of Management and Commerce
Strathmore University

Professor Ruth Kiraka,

Dean, School of Graduate Studies,
Strathmore University

ABSTRACT

The purpose of this study was to establish the influence of strategic human resource management (SHRM) practices on performance of insurance companies in Kenya. This research used a descriptive cross-sectional survey design approach and structured questionnaires were used for data collection. The researcher targeted all the 55 insurance companies in Nairobi county-Kenya. The overall response rate was 74.5% with the respondents being the HR managers. Multiple regression analysis and correlation analysis (Karl Pearson) were used to analyze data. The finding of the study was; training and development practices and employee relations practices influenced firm performance while compensation and recruitment practices were insignificant to firm performance. The study recommended that; management of insurance companies should put greater emphasis on training and development programs to attain higher performance. Further emphasis health employee-employer relationships as well as implementation of SHRM strategies should continue in the industry. The regulatory body in the insurance sector should encourage human capital growth and empowerment within the industry. However, future studies should comprise of both monetary and non-monetary indicators to measure firm performance as well as conduct this research in other Kenyan industries using different set of SHRM practices.

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LIST OF ABBREVIATIONS AND ACRONYMS

SHRM	Strategic Human Resource Management
HRM	Human Resource Management
HR	Human Resource
ER	Employee Relations
ERM	Employee Relationship Management
AKI	Association of Kenyan Insurance
IRA	Insurance Regulatory Authority

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DEDICATION

To my late parents and grandmother Alice Wangari, Isaac Njenga and Miriam Wambui. My guardian and brother Henry Gitau, nephew and niece Ryan Njenga and Emmah Wangari. Receive my utmost gratitude for the love, continuous moral support and patience during my studies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Strategic Human Resource Management (SHRM) concerns the roles performed by human resource management systems in firm performance, specifically concentrating on the use of human resources as a way of achieving competitive advantage (Paul & Anantharaman, 2013). Darwish (2013) however defines SHRM as the combination of all strategic objectives of a firm, and the human resource strategy and execution. Schuler, Randall, Jackson and Susan (2007) assert that organizations are acknowledging that effective human resource policies and practices might enhance performance in various departments like production, quality and financial performance. They further argue that SHRM practices are employed by global firms to enhance their productivity and overall firm performance.

According to Schuler et al. (2007) economic environment is changing and this is as a result of globalization, shift in clients and investor demands, and constantly-rising products-market competition. They suggested that, to ensure competitive advantage in the changing environment firms must always enhance their human capital as well as their performance. Strategic HRM has been used by business enterprises to acquire, develop and retain this valuable resource (Armstrong, 2010). Over the years human resource management (HRM) has gained dominance across various disciplines. This has mainly been as a result of its contribution to bottom line issues within organizations (Darwish, 2013). Sani (2012) argued that human resources represents a resource which offer a source of competitive edge since it is always hard for opponents to copy as well as difficult to substitute in the same firm.

SHRM importance in organizations today is no longer debatable (Rees, 2006). This insight in an organization is a crucial aspect in the general performance of firms to enable them to continually enhance their performance by reducing expenses, enhancing quality, production and marketing speed. According to Schuler and Jackson (2009), Strategic HRM practices such as recruitment, training and development, appraisal, employee relations, and compensation are concerned with how employees are recruited and governed in firms in order to ensure the firm attains

sustainable competitive advantage, high quality of work life balance and profitability. Similarly, (Katou and Budhwar, 2007, Ppffer, 1998, Cascio, 1992 and Sani, 2011) link human capital with firm performance through these HRM practices.

Association of Kenya Insurers Report [AKI] (2014) shows that prior to 2015 the Kenyan insurance industry experienced a decline in insurance penetration. This being attributed to low consumer purchasing power, low consumer knowledge and low awareness of insurance products. According to the AKI report (2015) several mergers and acquisition were reported as well as growth in terms of investments, asset base and gross premium written. The entry of new players in the industry signifies growth opportunities but also signals higher competition. Therefore to ensure growth and improved performance of insurance companies in this rapidly changing environment, industry players have embraced the importance of human capital and the importance of linking organisational strategies with those of human resource management (Gitau, 2013).

Altarawneh and Aldehayyat (2011) believe that the success of the service sector such as insurance relies highly on technical and social competence of the employees, staff level of integrity, attitude, accountability as well as commitment. Thus strategies and mechanisms adopted and applied so as to attract outstanding employees, retain, develop and utilize all their talents and abilities in order to achieve overall top performance remains critical to the success of all insurance firms. Arthur (1994), Brewster (1999), and Pfeffer (1994) argue that the common use of the bundle of best practice of HR practices like employee training and development, staff performance appraisal, recruitment and reward systems could precisely enhance firm performance. These practices are normally regarded as bundles, instead of as a single practice (MacDuffie, 1995; Wright & McMahan, 1992). Huselid, Jackson and Schuler (1997) and Daud (2006) concur that the four traditional HR practices are considered critical by managers for them to ensure strategy implementation in the long term and to yield quality performance.

1.1.1 Strategic Human Resource Management Practices

According to Huselid (1995) the general aim of SHRM practices is to productively exploit human resources talents and abilities in accordance with the organizational strategic necessities. Considering that SHRM practices are not standardized Katau and Budhwar (2007) group SHRM practices into two: practices that focus on developing and attracting HR which include; recruitment as well as selection and training and development and practices aiming towards rewarding, maintaining and motivating HR include; compensation and rewards systems and performance appraisal measures. SHRM practices including training programs, compensation, recruitment and selection, employee appraisal employee and relations are practices considered important for strategy implementation (Daud, 2006). SHRM practices training and development, recruitment, compensation and employee relations will form the basis of this study.

According to Dessler (2008) training and development involves offering newly recruited and existing staff the skills they require to successfully carry out their duties. Training improves staffs' competences, invention, innovation, capability to adapt to new technologies and techniques. Training and development programs such as formal training programs, technical and analytical skill training, career path planning, succession planning, mentoring, and counselling are believed to play a major role in ensuring employee growth and thus resulting to improved job performance (Ivancevich, 2010). In addition intellectual growth of human resource depends on the effectiveness of training programs that have been set by the organization.

According to Costello (2006) the process of recruiting staff offers the firm a pool of possibly skilled applicants from which cautious selection can be carried out to occupy vacant positions. Consequently, proper recruiting of personnel helps in ensuring they choose the right candidates with potential to perform in their assigned duties. According to Kepha, Mukulu and Waititu (2014) recruitment strategies include; internal resources, electronic and print media and professional recruitment agencies. Pfeffer (1994) argues that proper recruitment process establishes accountability, builds higher expectation of performance as well as illustrating the importance of personnel to the organization.

Compensation is all the firms' accessible tools which might be utilized to entice, keep and motivate staff (Bowman, 2006). Mathis and Jackson (2004) and Heathfield (2012) assert that a fair and balanced compensation system plays a big part in the retention of staff, reduced staff turnover as well as improving performance. Compensation can either be intrinsic or extrinsic rewards, bonuses, recognition and payment by results (PBR) (Graham & Bennett, 1998)

Oluchi (2013) is of the view that employee relations(ER) is a process that firms utilize to successfully manage all relationships with staff, eventually to attain the objectives of the firm. Furthermore, proper employee relations allows for all round success of the firm ensuring both parties, the employees and management, play their part effectively (Sani, 2012). Strategic management decisions concerning ER are necessary in areas such as conflict resolution mechanisms, local workplace bargaining, industrial disputes and the effective implementation of employer-employee relationship.

According to Schuler and Lackson (2009) these SHRM activities are associated with firm competitive advantage, higher production, more quality of work life and increased profits. To justify these results Schuler (2012) states there is a need to assess these practices from various sectors. Oladipo and Abdulkadir (2011) resolve that there is limited research carried out in developing nations and Africa as a whole in comparison with developed countries.

Therefore, a study on SHRM practices and firm profitability in a currently developing African country like Kenya. Budhwar (2007) asserts that the main differentiating factor between first and the third world nations that significantly affect HRM are both circumstantial and environmental. Some of the factors are economic, political, historical environment, social and cultural traits of the work place as well as the society.

1.1.2 Firm Performance

Daft (2000) defined firm performance as the firm's capability to achieve its objectives through utilizing resources in an efficient way. Since conceptualization performance has traditionally been measured in terms of financial measures which include net profit, return on assets (ROI), return on equity (ROE) and yearly growth. However certain managerial efforts cannot be measured with such financial performance indicators. Some researchers have advocated for a wider performance indicator which includes non-monetary indicators which are quality of product, market share, organization image and interpersonal relations (Dimba, 2009). Non-financial measures show the firms' present day and probable competitive position.

Financial measures are criticized as they encourage short-termism and over time may lead to accrual manipulation (Gijssels, 2012). Financial indicators are furthermore criticized due to lack of stability (Kaplan & Norton, 1996) since they concentrate more on tangible resources ignoring, for example, clients' perceptions of customers as well as firm's business processes. Furthermore, according to Ibrahim and Lloyd (2011) non-financial performance measures reduce the amount of earnings management. According to Waiganjo, Mukulu, and Kahirir (2012) to reduce the impacts of random mistakes, scholars have advocated for utilization of various indicators to evaluate performance. This research focused on various non-financial measures to evaluate firm performance. The indicators relate to employee retention, market share and interpersonal relations.

1.1.3 Strategic Human Resource Management Practices and Firm Performance

Guest and Hoq (1992) points out that majority of past research concerning the relationship between firm performance and SHRM have been examined mainly in Europe. When the debate on SHRM practices and performance emerged, the universal and contingency scholars were of different opinions. Universal scholars assert that there is a distinct combination of HR practices which can assist to sustain effective performance by a firm while ensuring they achieve competitive advantage. Whereas the contingency scholars claim that the attainment of top performance is determined by achievement of a 'best fit' between the HRM practices and other firm features. The debate still remains whether the connection between SHRM practices and firm performance indicators are widespread or provisional.

Similarly, Brewster (1999) and Pfeffer (1994) argue that the overall utilization of the bundle of best practice of HR practices like staff performance appraisal, recruitment, training and compensation systems could directly enhance firm performance. Nonetheless, according to Guest (2001), Strategic HRM practices are not standardized and consequently scholars have a tendency to choose distinct SHRM practices depending on the theoretical viewpoint employed.

Singh (2004) carried out a research in India with six practices and organisational profitability; he made a conclusion that training and compensation, directly led to improved organizational and market performance. Okpara and Pamela (2008) assessed utilization of different HRM practices and the likely setbacks and projections of HRM practices in Nigeria. They established that HRM practices, like training, employee appraisal, recruitment and selection and compensation programs used as well as ethnicity, AIDS, and corruption are the main challenges that Nigeria HR managers face. Sani (2012) investigated Strategic HRM and organisational performance and the impact of organisational climate in the insurance industry in Nigerian. The findings established that the alignment of SHRM, the training of line managers and career planning systems are the main strategic HR practices which affect firm performance.

However, a study carried out in Eritrea, Tessema and Soeters (2006) to gauge the level to which HR practices affect performance, concluded that proper implementation of HR practices might enhance performance in the Eritrean public sector. Notwithstanding this, the economic and political environments whereby HR practices are carried out, because Eritrea is Africa's youngest and poorest nation. Consequently, researchers argue that it is hard to make a general conclusion. Therefore, with regards to these sentiments, positive relation between strategic HRM and firm performance remains unclear.

1.1.4 Insurance Sector in Kenya

Rand and Graham (2004) believe that insurance, and in particular the social insurance which mainly deals with social and economic challenges facing citizens has existed in Africa for many years. Before 1978 operations, Kenya insurance industry was managed by the Insurance Companies Act (1960) that was founded on

UK law. It is only until 1978 that every insurance company was mandated to be incorporated and registered locally (Gitau, 2013).

The Insurance Regulatory Authority (IRA) is the insurance regulatory body in Kenya, created by the amendment of the Insurance Act. This Act has been reviewed severally, the latest being in 2015 (Insurance Act, 2015). There are two main associations, namely The Association of Kenya Insurers (AKI) and The Association of Insurance Brokers of Kenya. Each association operates separately with its distinctive role in the insurance sector. In the 54 years since independence the insurance industry has grown tremendously with reference to members and premiums. The Kenya insurance sector has two divisions which are the Life (short-term business) as well as non-life (general/long-term business). Non-life insurance generally deals with protection against risks that lead to loss or damage of property. Whereas life insurance facilitates long-term savings that ensure that a sufficient amount is accrued to meet policyholders' financial needs at various stages in life. Non-life insurance is said to contribute a bigger portion of the overall insurance business as compared to life insurance.

The AKI Report (2016) shows that the total licensed insurance players in Kenya are 55. They constitute 26 general insurers, 15 life insurance, 11 composite insurers and 3 reinsurers. Other players include 204 licensed insurance brokers, 32 medical insurance providers (MIPs), 7720 insurance agents, 146 investigators, 121 motor assessors, 31 loss adjusters, 32 insurance surveyors, 9 risk managers, 4 claiming settling agents, 26 bancassurance insurance agents and 10 reinsurance brokers. The insurance industry as a whole contributes to the national economy GDP but in 2016 the insurance penetration in Kenya faced a decline from 2.88% in 2015 down to 2.73% in 2016 (AKI report, 2016). This was attributed to low consumer purchasing power, negative perception of insurance practices, little awareness of insurance products, low consumer purchasing power and low consumer knowledge (AKI report, 2015). In light of this the IRA has taken measures aimed at bettering insurance infiltration. The measures include ensuring localized marine insurance business, growth of micro-insurance policy, encouraging the use of information technology and authorizing the use of new distribution channels (AKI report, 2016). In line with this there has been more undertakings in merging, acquisitions and other

strategic reorganization with Pan Africa Holdings acquiring Gateway Insurance, Metropolitan Group acquiring Cannon Assurance, Britam Holdings acquiring Real Insurance and Old Mutual Group merging with UAP Holdings. Consequently in 2015 the industry recorded growth in terms of investment, asset base, and gross premium written. This growth was mainly attributed to improved regulatory regime, and investment in long term drivers (AKI Report, 2015).

Gitau (2013) argues that insurance players are being forced to formulate strategies that will give them sustainable competitive advantage and ensure they remain in business. In 2008 Kenya's economic growth vision (Vision 2030), the insurance sector was identified as one of the major sectors that will play a substantial role in achieving the envisioned economic growth. In order to get there, the industry is required to improve productivity and competition over the long run. In the service sector as insurance, effective service rendition largely depends on the workforce. Thereby requiring proper SHRM practices (Training, recruitment, compensation and personnel relations) be put in place to boost performance. Significance of human resource in an organization is no longer debatable, as it is viewed as the most important part of the firm (Altarawneh & Aldehayyat, 2011).

1.2 Problem Statement

Gitau (2013) argues that increased level of competition in the insurance sector in Kenya has resulted to quite a number of mergers and acquisition. These mergers and acquisition have had a significant impact on efficiency, productivity, market structure and have ultimately led to a highly competitive environment which has an effect on the performance of insurers. Schuler et al. (2007) suggested that, to compete effectively in dynamic and competitive environment firms always require improve their human resource and ultimately their performance. Kenyan corporate firms are acknowledging that effective human resource policies and practices might improve performance in various sectors like production, quality, and financial performance (Waiganjo et al., 2012).

Prior studies, for instance Delany and Huselid (2006) illustrated that the applicability of SHRM practices exhibits a positive relationship to both financial and operational performance. Therefore from the various studies there has been an agreement that it

is an intertwined system of SHRM practices that enhances performance (Sani, 2012 & Singh, 2004). As a result different studies have used a different set of HR practices. Additionally, some of the studies revealed that SHRM and performance have a positive relationship but contingent to other factors such as organizational climate and motivation (Sani, 2012; Dimba & K' Obonyo, 2009).

However, majority of these studies have focused on manufacturing firms (Dimba, 2009, Oladipo & Abdulkadir, 2011), public sector (Tessema & Soeters, 2006) and corporate firms as a whole (Waiganjo et al., 2012) as opposed to service firms. As a result this has shed limited light on the role training, recruitment, compensation and employee relations practices have on firm performance in the service sector. Altarawneh and Aldehayyat (2011) believe that the success of service sector such as insurance depends highly on the technical competency, social skills of its staff, employee level of integrity, attitude, as well as commitment.

While assessing the SHRM-performance relationship, different studies have employed various indicators to assess performance. Majority of these prior studies have been based on financial measures. However, non- financial constructs such as interpersonal relationship, market share and internal firm image have largely been ignored (Dimba, 2009). Furthermore, a high number of researches concerning the relationship between organizational performance and SHRM were conducted mainly in Europe and only a small number have focused on this relationship in developing countries.

1.3 Objectives of the Study

The general objective of the study was to evaluate the influence of strategic human resource management practices on firm performance of insurance firms in Kenya.

The specific objectives are:

1. To examine the effect of training and development practices firm performance.
2. To assess the effect of recruitment practices on firm performance.
3. To establish the effect of compensation practices on firm performance.
4. To examine the effect of employee relations practices on firm performance.

1.4 Research Questions

1. What is the effect of training and development practices on firm performance?
2. What is the effect of recruitment practices on firm performance?
3. What is the effect of which compensation practices on firm performance?
4. What is the effect of employee relations practices on firm performance?

1.5 Justification of the Study

The government and stakeholders in the country's policy formulation will benefit from the findings of this study because they cannot ignore the insurance sector since it is a contributor to the country's GDP.

The insurance sector in the country may also find the findings to be useful since through them, these organizations will be in a good position to measure their Human Resource Management performance and improve where necessary so as to improve their firm performance.

Those who have scholarly interest in Strategic Human Resource Management may use this research as it provides reference.

1.6 Scope of the Study

The research purposed on determining the influence of SHRM practices on firm performance and targeted all 55 insurance companies in Nairobi-county. The main reason for choosing Nairobi as representative of other regions is because it is where

the headquarters of the insurance companies are located and where major decisions involving the companies' human resource are made.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section strives to examine as well as analyze the literature that was reviewed by different scholars, researchers, academicians and authors with regards to strategic human resource management and firm performance. This section also outlines SHRM practices and how they relate to firm performance, as well as the conceptual framework.

2.2 Theoretical Orientation

The study reviewed two models which explain the relationship between Strategic HRM and firm performance. The models were; Universal Theory and Resource-Based View (RBV) Theory.

2.2.1 Universal Theory

The universalistic theory is also termed to as the internal or horizontal fit. The universalists state that there exists specific types of HR practices that are identified as at all times better as compared to others and refer to them as best practices. The universalistic researchers believed SHRM practices significantly influenced firm performance (Martell and Carroll, 1995). Their assumption was that strategic HRM might indeed aid organizations to promote operating efficiency, increase innovation, improve their HR cost benefits and increase firm performance benefits (Dyer, 1983). The universalistic perspective affirms that organizations will see a growth in performance by pinpointing and executing 16 best practices regardless of the competition, sector or location of the organization (Pfeffer, 2001). The 16 practices are shortened into seven: which includes employment safety, choosy selection, self-managed team, providing salary depending on firm productivity, comprehensive teaching, reducing social status dissimilarities and sharing information.

The universal theory aids in identifying SHRM practices that have been identified in past studies to result in improved performance. In addition, practices that perform

better in a successful environment must not be overlooked. This is by considering the dynamic environment in which the Insurance industry is currently in and the variables that help attain growth. Despite the attention given to this approach there exist various demerits. In relations to the assessment and methodological matters, scholars have disagreed on how a human resource system must be considered as a combined and energetic set which blends better in yielding improved firm performance (Delery, 1998).

2.2.2 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) is considered as technique of analyzing and identifying an organization strategic merit based on assessing its diverse combination of resources, skills abilities and intangibles as an organization (Pearce II, Robinson & Mital, 2008). This theory suggests that the main contributors to organization competitive advantage and high performance are mostly linked to the qualities off their assets and abilities that are susceptible and expensive-to –duplicate (Peteraf & Bergen, 2013).

The main perception in the RBV framework is the identification of resources that are needed to create competitive advantage that lasts long to guarantee successful strategy execution, development, sustainability and earn more profits. Pfeffer (1994) suggests that the organization's strategic resources should be heterogeneously shared and that these variances are steady over a period of time (Munge, 2014). This theory emphasizes on organization unique capabilities whether existing or potential, which helps it to offer high quality in its services, whether across markets, industries, or various types of clients. The firm that uses its capabilities well will in the long run be rewarded with a competitive edge over its competitors and improved profitability and performance. This theory illustrates the importance of identifying rare, and non-substitutable resources. (Mittal, Halbrook, Beaty, Raghurir & Woodside, 2008). These resources might be assets; touchable assets like a plant and machinery, or untouchable assets like brand name and reputation or abilities such as abilities to build, foster and manage assets (Mahoney, 1995 & Aaker, 2008).

The RBV applies a set of policies to assess the resources which of the resources represents strengths or weaknesses, which resources yield essential capabilities that

are sources of competitive advantage. These guidelines derive from the idea that resources are more valuable when they are: crucial to satisfying a client's need better as compared to rivals; scarce hence in short supply, or without substitutes or are hard to imitate; appropriate hence all profits are retained by the organization; and when they are durable or sustainable over time (Pearce II et al, 2008).

The RBV theory sheds light on the importance and value awarded to the empowerment of employees as they are deemed to be one of the companies' non-imitable assets that will ensure sustainable competitive advantage in the long run. If human resource are well advanced in skills and abilities, highly motivated and bestowed upon a conducive working environment then this well in turn ensure improved performance (Katou & Budhwar, 2007 & Waiganjo et al, 2012). The insurance industry being in the service sector which highly depends on its work force for proper service rendition is set to highly benefit and ensure competitive advantage, improved performance and sustainable growth in the long run.

2.3 Empirical Review

In this section, the research work compares and contrast different authors' views on SHRM practices and firm performance.

2.3.1 Training and Development and Firm Performance

According to Raja, Furqan and Khan (2011) training and development are vital aspects in entrepreneurship globally. The main reason being, training enhances the competency and the efficiency of both staff and the organization. Ivancevich (2010) training tries to equip staff with knowledge, expertise and understanding the firm and its objectives. Heathfield (2012) argues that conducting the accurate employee training, development as well as education in a timely manner, guarantees more returns and in turn results into improved productivity, personnel knowledge and trustworthiness. The main aim of training is to aid the firm attain its temporary and permanent goals by value addition to its human resources (Gunu, Oni, Tsado & Ajai, 2013). Development broadly focuses on learning and personal development of employees. Its main focus is on learning and personal development. According to Cherrington (1995) the various development opportunities include mentoring,

providing guidance and support, profession counseling, management and managerial development and job training.

Training and development has been recognized as the most crucial element of both employee and firm performance. According to Singh (2004) and Bartel (1994) training and development programs well implemented significantly improves firm performance. Similarly Raja et al. (2011) carried out a research in India and they established an association between coaching design and overall firm productivity. In addition a study conducted in Pakistan, concluded that an relation between coaching and firm productivity did exist (Abeeha & Bariha, 2012). According to Heras (2006) employee training is considered to be costly but in the long run it rewards more compared to the original investment. These studies concluded that training and development programs properly implemented lead to an increase in firm performance as well as ensured competitive edge in the market.

However, Abang, May, and Maw (2009), pointed out that on the job training does not improve firm performance and that only general (off the job) coaching has a significant impact on firm productivity. Alternatively, Byrne (2009) asserts that training and development is observed as more of a means to an end instead of an end goal. The end being improved profitability in terms of both monetary and non-financial measures (Herman & Kurt, 2009). Notwithstanding this, Abanget al. (2009) point out that training and development will have great impact when it is combined with other Strategic HRM practices and that it cannot be viewed as a single practice. However, these practices have to be equally well implemented to ensure the success of training and development. Similarly, Gunu et al. (2013) assert that the need to improve employee and firm performance has moved organizations to introduce training and development strategies. The implementation of training strategies has been jeopardized by certain factors. Njugen (2009) identifies these factors as recruitment and selection problems, poor training and development procedures, scarce facilities, government policies, economic status and labour laws. This illustrates that the environment in which the organization operates is highly dynamic and thus a generalization cannot be made.

Similarly, with different studies taking different views, some studies view training and development as a means to an end rather than an end goal and that only general

training leads to improved performance. Whereas, others studies view it as dependent practice rather than an independent practice to ensuring improved firm performance.

2.3.2 Recruitment and Firm Performance

Jovanovic (2004) defines recruitment as the exercise of attracting many applicants of exceptional quality in order to choose the most suitable amongst them. Kumari (2012) argues that recruitment basically involves attracting candidates with the necessary qualifications, in the required numbers and on a timely basis. Recruitment strategies by firms should be properly stated as well as adjusted towards specific job positions to be filled.

Gamage (2014) established that there exists a relation between recruitment and firm productivity. Syed and Jama (2012) emphasized that implementing a successful recruitment process in an organization is significantly related with firm performance. In addition, Huselid (1995) indicated that recruitment method used has an effect on firm outcome because of the provision of wide pool of competent applicants. Rauf (2007) points that sophisticated recruitment processes are significantly linked to firm performance. Other studies such Sang (2005), Wright et al. (2005), Husien (2012), Katou and Budhwar (2006), and Ichniowski and Shaw (1999) have also established that the implementation of an effective recruitment process significantly influences firm performance. These studies concluded that recruitment practices employed by a firm in the end influence firm performance.

However, a study by Dimba and K'Obonyo (2009) carried out in the manufacturing industry concluded that recruitment and hiring do not have a positive correlation with firm performance. A major issue in recruitment has been the choice of recruitment approach to use. Most organizations in order to implement their recruitment strategies choose to use one or two of the recruitment approaches namely; social and print media, company website, recruitment agencies, employee referrals among others (Sinha & Thaly, 2013). All the strategies will produce particular employees with varying performances. However, some approaches may result in positive outcome in one company and fail in others (Rauf, 2007). Sani (2012) established that once employees are employed tend to learn on the job and in the long run the

recruitment process does not play an integral part and thus have no influence to performance. Every recruiting approach offers different outcomes and each company's experience is different. In addition, which recruiting approach should be used was found to be highly dependent on job rank, as well as the firm's brand, also assets the firm has on its recruiting department, the allowance accorded to the recruitment team, among others (Ekwoaba, Ikeije & Ufoma, 2015). Pfeffer (1994) asserts that to ensure cost effectiveness, the recruitment process should attract competent applicants while providing adequate information for unqualified people to self-select themselves.

Mixed results from past studies, with those that conclude that recruitment has a significant influence to firm performance irrespective of the approach used also acknowledging that some approaches may work in one company and fail in another. However, other studies assert that the recruitment does not influence performance and that employee empowerment occurs once an employee is employed and thus the recruitment process plays a minor role to improved firm performance. Therefore, this study aims at establishing if there exist a positive or negative effect between the recruitment practices applied by the insurance firms and firm performance.

2.3.3 Compensation and Firm Performance

Compensation is a bona fide instrument that has an impact on the decision of staff and job applicants in the organization. Heneman and Judge (2000), Ivancevich (2004) and Hyondong (2006) argue that compensation management aids organizations to attain a competitive advantage over their competitors. Compensation is all the firm's existing tools that might be employed to attract, retain, motivate and gratify staff (Bowman, 2006).

It institutes monetary benefits in form of wages, salaries and in different forms of non-monetary rewards known as fringe benefits or indirect compensation (Hyondong, 2006). Singh (2004) established that compensation significantly influences firm performance. Chiu, Luk and Tang (2002) in their findings conclude that compensation has a significant relation with organizational profitability. The

researchers concluded that an effective reward system leads to increase in sales, reduced staff turnover, and improved firms' performance. Consequently, reduced turnover leads to employee retention implying that the employees have a positive image of the firm. According to Liska (2008) continuous existent compensation systems are key motivational factors which motivate employees to put their best individual performance and effort and thus led to improved firm productivity and performance.

In contrast, Obasan (2010) points that studies have highlighted that a minority of business firms try to pay better for performance despite frequent claims that pay structure are merit based. In addition, merit based pay systems critics argue that financial incentive systems enhance company productivity in principle while in practice they result in positive side effects which are costly to staff motivation (Werner & Liska, 2008). However, bonus based incentives are based on the years' performance and thus , in principal, provide a sense of motivation for employees and in return aids in improved firm performance. Furthermore, aggressive pay-for-performance schemes eventually involve differentiating personnel based on their performance. However, regardless of its contribution towards the growth of the organization, researchers as well as practitioners in the corporate sector have stated that there is a sluggish pace in the growth of compensation studies and firm performance (Heneman & Judge, 2000; Kersley & Forth, 2005). These studies conclude that better pay for better performance rarely occurs whereas other studies establish that compensation practices positively influence firm performance. Thus this study aims at establishing whether compensation systems adopted in the insurance firms in Kenya have an effect on performance.

2.3.4 Employee relations and firm performance

Employee relations (ER) is a special kind of interpersonal relationships between the employee and the employer. Until the 20th century the term industrial relations (IR) has been used to describe this relationship, a concept advocated by the western scholars. According to Oluchi (2013) ER is a process that firms utilize to successfully manage all relations with staff, eventually to attain the firms' objectives. Employee relations works towards incorporating all the matters in the employer–

employee relationship in the workplace which include recruitment, uniform opportunities, training and development as well as organizational structure. Chapman and Goodwin (2001) equally add that the HRM department plays a crucial part in this process by training and coaching supervisors and chief executive officers on how to successfully create and foster interactions with employees and in assessing and monitoring those interactions to assess whether goals are achieved. Supervisors and top firm managers are considered the main bridge between company employees and their firm (Ntalianis, 2006). Cohesive departments are only established through good relationships together with strong and sensitive leadership (Chapman & Goodwin, 2001).

Similarly, past studies showed that a healthy employee-employer relationship positively influenced firm performance (Ngari & Agusioma, 2013 & Tzafirir, 2005). If relationships are strong, then the probability of employees being content with their jobs is high and consequently leading to high productivity (Daniel, 2003). Storey (1994) and Ntalianis (2006) believe that small-sized firms tend to experience better employee-employer relationship compared to large organizations. Keeping in touch with hundreds or thousands of personnel is an overwhelming responsibility (Gillenson & Sanders, 2005). However, Scott (1998) argues that it is the organizational structure adopted by an organization that determines the employer-employee relations in an organization. Under the mechanistic structure, employees tend to display constrained patterns of interactions with the management. Whereas under an organic structure employees tend to relate better with their employers and this results to improved employee performance and later improved firm productivity. However, Gomez and Rosen (2001) concluded that trust is the main mechanism of organizational co-ordination and this leads to improved internal flow of communication and thus improved employee and firm performance. Furthermore, the best method to bridge staff's productivity gap is by building a good employer-employee relationship (Daniel, 2003).

In addition, it is believed that it is in these lights that as firms are continually striving to find ways to improve competitiveness and profitability, ensuring a positive employee-employer relationship goes a long way. Singh and Kumar (2011) assert that high performing organizations have been identified to have common employee relationship practices. These practices include open communication, trust, effective

conflict resolution mechanisms and team work. Hence this study aims at finding out how employee relations practices applied by insurance firms in the Kenya influence firm performance.

2.4 Gaps in research

Several researches have established that the utilization of SHRM practices and its effect to both operational and financial performance are undisputable (Delaney & Huselid, 1996; Singh, 2004 and Okara & Pamela, 2008). Studies concerning the relationship between firm performance and SHRM have been examined mainly in Europe.

However, majority of the studies carried out in Africa focused on manufacturing firms (Dimba, 2009, Oladipo & Abdulkadir, 2011), public sector (Tessema & Soeters, 2006) and corporate firms as a whole (Waiganjo et al., 2012) as opposed to firms in the service industry. In addition, majority of the studies used financial constructs to measure performance. As a result this has shed limited light on the role SHRM practices: training and development, recruitment, compensation and employee relations has on firm performance in the service sector while incorporating non-financial measures and this case the insurance industry.

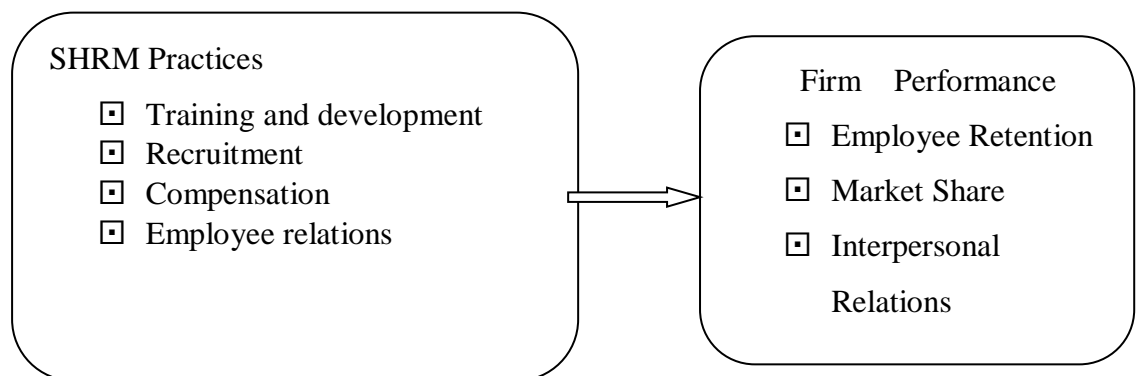
2.5 Conceptual Framework

According to Mugenda and Mugenda (2010) conceptual framework is an aspect of research in which a precise idea is described as a quantifiable incident which provides a coherent interpretation of the notion. The independent variables and the dependent variable as shown in figure 2.1

Figure 2. 1: Conceptual Framework

Independent Variable

Dependent Variable



Source: Researcher (2018)

The conceptual model in Figure 2.1 outlines the relation between firm performance and SHRM practices as discussed in the literature review. Past studies have illustrated that SHRM practices (training and development; recruitment; compensation; and employee relations) influence firm performance positively (Singh, 2003; Liao, 2005; Katou & Budhwar, 2006; Gunu, Oni & Tsado (2013); Gamage, 2014; Chiu *et al.*, (2002); Ngari & Agusioma, 2013).

2.6 Operationalization and Measurement of Variables

Table 2.1: Operationalization and Measurement of Study Variables

Variable	Constructs	Operational definition	Measurement Indicator	Source
Independent Variable	Training and development	<p>Process which tries to provide staff with information, skills and understanding of the firm and its objectives.</p> <p>To measure this area the focus will be on</p> <ul style="list-style-type: none"> ◆ Frequency of training ◆ Comprehensive ness ◆ Coaching and mentoring programs 	<p>Likert Scale</p> <p>1=Strongly Disagree</p> <p>5=Strongly agree</p>	<p>Abanget <i>al</i>, (2009)</p> <p>Ivancevich (2010)</p>
	Recruitment	<p>Process of attracting a pool of high quality applicants in order to choose the most suitable amongst them</p> <p>To measure this area the focus will be on</p> <ul style="list-style-type: none"> ◆ Internal Job requirements ◆ Fair selection process ◆ Selection for manual and technical skills 	<p>Likert Scale</p>	<p>Jovanovic (2004)</p> <p>Kumari (2012)</p>

	Compensation	<p>Refers to all the firms' tools that may be utilized to attract, maintain, motivate and satisfy staff</p> <p>To measure this area the focus will be on</p> <ul style="list-style-type: none"> ◆ Financial and non financial rewards ◆ Job related compensation ◆ Equity-individual and external 	Likert Scale	<p>Bowman, (2006).</p> <p>Ivancevich (2004)</p>
	Employee Relations	<p>Process that firms employ to successfully manage all relationships with staff, eventually to attain the objectives of the firm</p> <p>To measure this area the focus will be on</p> <ul style="list-style-type: none"> ◆ Industrial relations ◆ Dispute resolution systems ◆ Employee Communication 	Likert Scale	<p>Oluchi(2013)</p> <p>Agusioma, (2013)</p> <p>Tzafir (2005)</p>
Dependent Variable	Firm Performance	Comparison of the value produced by a	Likert Scale	Alchian and Demsetz,

		<p>company with the value stakeholders expected to receive from the company</p> <p>To measure this area the focus will be on subjective indicators</p> <p>Employee Retention</p> <ul style="list-style-type: none"> ◆ Employee retention <p>Market share</p> <ul style="list-style-type: none"> ◆ New branches <p>Interpersonal relations</p> <ul style="list-style-type: none"> ◆ Superior-subordinate relations ◆ Working environment 		<p>(1972)</p> <p>Dimba,</p> <p>(2009)</p>
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2.7 Chapter Summary

Chapter two basically focused on the theories that guide the study, the universal theory and resource-Based View Theory were explained, four strategic HRM practices as well as the conceptual framework. The literature review tried to portray the relation between SHRM practices and firm performance. Similarly most studies tend to agree that there is a significant relationship between SHRM practices and firm performance (Singh, 2003; Liao, 2005; Katou & Budhwar, 2006). The conceptual model illustrated the association among the constructs of interest. The dependent construct being firm performance and the independent being the SHRM practices. Majority of the studies conducted to explore the relationship between SHRM and firm productivity have been examined in Europe and limited research has been conducted in Africa. In addition majority of the studies done in Kenya have been carried out in the manufacturing, public and corporate sector as a whole while incorporating financial measures.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study aimed at establishing the connection between firm performance and SHRM practices in the insurance firms in Kenya. This chapter therefore elaborates on the methods and instruments to be used in the quest of answering the research questions. Chapter three is divided into research design, the population of the study as well as data collection instruments that will be applied and lastly the data analysis technique that was used.

3.2 Research Design

Research design is defined as a design employed to provide answers to various research questions (Orodho, 2003). A descriptive cross-sectional survey design was adopted in this research, the survey design was chosen because it provides means to contextually interpret and understand relation between SHRM practices and firm productivity. This design enables the generalization of findings in a large population. Sekaran (2005) argues that, a descriptive study shows an accurate profile of individuals, events or circumstances describing the existing circumstances and attitudes through observation and interpretation techniques.

As asserted by Mugenda (2010) descriptive and quantitative design are regarded to be appropriate for demonstrating associations appropriate for studies which focus on analyzing a phenomenon or situation by considering a sample of the population at one particular time.

3.3 Population of the study

The target population was all the 55 insurance companies operational in Kenya as at 31st December, 2016 (AKI Report, 2016). A target population refers to the whole lot that one intends to explore (Sekaran & Bougie, 2010). The unit of analysis is the insurance firms and the human resource managers of these insurance firms were the respondents of this study. This is because human resource managers are responsible for all HR and SHRM activities which affect firm performance. All 55 HR managers

of the insurance firms listed in appendix III were requested to fill the questionnaire. Since the target population was small, sampling was not done.

3.4 Data Collection Methods

Primary sources were deployed to collect data, that was collected directly from the HR managers in the insurance companies. According to Cooper and Schindler (2010) questionnaires are easier to administer, analyze and saves both time and money. The questionnaires were all closed ended. The questionnaire was adopted from the work of Dimba (2009). Some modifications were made for the questionnaire to suit the purpose of the study. A five point likert scale was employed (Sekaran & Roger, 2009). Data was collected using self-administered semi-structured questionnaires accompanied by an introduction letter informing the respondents who the researcher is and the objective of conducting the research. The questionnaire was administered through personal delivery by the researcher and where this was not possible, the questionnaire was sent via mail with the respondents being reminded to fill it with the highest level of accuracy possible.

3.5 Data Analysis

Data analysis is concerned with totalling of certain measures in probe for a sequence of associations that exist in the data (Sekaran & Roger, 2009). The data was edited and coded then entered into a computer for processing using the Statistical Package for Social Sciences (SPSS v.18.0). Editing and data cleaning are important steps in data processing and should always precede data analysis (Nachmias & Nachmias, 2000). Editing of responses occurs to check for errors and omissions made by the respondents, as well as to make sure that all interviews schedules have been completed (Nachmias & Nachmias, 2000). Descriptive and inferential statistics were employed to analyze data obtained from the HR managers.

Mugenda and Mugenda (2010) define descriptive statistics as procedures used by the researcher to enable the summarization and organization of data in an elaborate manner while describing and analyzing raw data. Thus, descriptive statistics was useful as it ensured the use tools such as percentages, frequency tables and tables, to reduce information obtained from the field to an understandable form. According to Mugenda and Mugenda (2010) and Nachmias and Nachmias (2000) inferential

statistics is used to make a conclusion about the traits of a population based on observations from the sample taken from the population. This aids in making significant generalizations whereby a Karl Person correlation co-efficient was calculated to assess and test the correlation between each dependent variable construct and the independent variables. The following multiple regression models were developed to show the relationship between SHRM practices and firm performance in the insurance firms.

The regression model was as follows;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby: **Y** = Organizational performance (employee retention, market share and interpersonal relations), **X₁**= Training and development (TD); **X₂**= Recruitment (R); **X₃**= Compensation (C); and **X₄**= Employee Relations (ER);

β₀= Constant term

β₀, β₁, β₂, β₃ and β₄=Regression model coefficients values for independent variables **X₁, X₂, X₃ and X₄** respectively.

ε = Error Term.

3.6 Research Quality

Research quality is addressed in terms of reliability, and validity. According to Yin (1994) validity is the extent to which questions in an instrument correctly measure the variables there in. Validity entails checking the questionnaire appropriateness by involving the supervisor and experts (Cooper & Schindler, 2010). While reliability is the consistency of a measuring instrument (Kabiru & Njenga, 2009).

Cronbach's alpha determines the internal consistency of the survey instrument used. It is mainly employed when the research has multiple Likert questions in a survey/questionnaire that form a scale, similar to one used in the study (Mugenda & Mugenda, 2010). The Alpha can take values from zero to show lack of internal consistency to one which indicates high internal consistency. Cronbach's alpha coefficient of 0.70 and above is adequate for further analysis (Hair, Anderson & Tatham, 1998; Gliem & Gliem, 2003). In this study, a lower limit of 0.64 was accepted as a sound and reliable measure. On the other hand individual items within the scale were re-examined if the scale showed poor reliability. Training and development, recruitment, compensation and employee performance had alpha

values of 0.869, 0.749, 0.770 and 0.819 respectively. Performance had an alpha value of 0.911 which is a sound and reliable measure. The results are presented in Table 3.1.

Table 3. 1: Reliability Statistics

	Cronbach's alpha	Items
Performance	0.911	5
Training and development	0.869	5
Recruitment	0.749	5
Compensation	0.770	5
Employee Relations	0.819	5
Scale Combination	0.824	5

3.7 Ethical Considerations

According to Kumar (2005) ethical issues concerning research subjects are mainly privacy, anonymity, voluntary and informed consent. The privacy of information obtained from the research respondents as well as the anonymity of the research subjects was respected. The participants participated voluntarily and at no one time were they coerced. The anonymity of the respondents was adhered to as no personal information, such as names, was collected. The availability of a signed introductory letter from the University enabled the HR managerd to trust the researcher and at no point be suspicious and doubt the researchers' credibility.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents data analysis, interpretation, presentation and discussion of findings. The purpose of this study was to find out the influence of strategic human resource management practices on firm performance of insurance firms in Kenya. The study was organized based on the objectives of the study including influence of training and development practices, recruitment practices, compensation practices as well as determining the influence of employee relation practices on firm performance. The responses were analyzed into frequencies, percentages and mean and presented in tables.

4.2 Response Rate

Out of the 55 questionnaires distributed to the respondents, only 41 were returned and qualified for analysis. The respondents involved were the Human resource managers of insurance firms. The average questionnaire return rate was 74.5% which is above 70% which according to Mugenda and Mugenda (2003) is adequate for analysis.

4.3 Reliability Test

Through Cronbach's alpha, reliability of the questionnaire and internal consistency was measured. This was to check whether the same aspects can be measured in the same constructs. Cronbach's alpha coefficient of 0.70 and above is ample for research (Hair, Anderson & Tatham, 1998; Gliem & Gliem, 2003). Performance had an alpha value of 0.911 which is a sound and reliable measure.

4.4 Descriptive Statistics

This section discussed the various results based on descriptive analysis of the survey data.

4.4.1 Organizational Information

The organizational data focused on the number of employee(firm size), period of working in the current firm and type of insurance. (46.3%) of the insurance firms had employed between 251-450 employee, 31% had between 100-250 employees with the least percentage being above 651 employees. Majority of the respondents (48.8%) had worked in the current firm for between 6-10 years. Also 12.2% had worked for both less than 5years and 11 years and above. Majority of the firms (65.9%) were based on general insurance while 26.8% worked for firms that offered life insurance. This is a result of the fact that there were more general insurance firms compared to life insurance firms. This implies that the firms are large hence they required strategic human resource management, the managers had worked in insurance firms for a considerable number of years hence in a position to understand the firms human resource practices and all types of insurance were well represented in the study. A summary of these findings is shown in Table 4.1 below.

Table 4.1: Organizational Information

Variable	Classification	Frequency	Percentage
Size of organization (number of employees)	Below 99	3	7.3
	Between 100-250	13	31.7
	Between 251-450	19	46.3
	Between 451-650	4	9.8
	Above 651	2	4.9
Duration of employment by your current employer	Less than 5 years	5	12.2
	1-5 years	11	26.8
	6-10 years	20	48.8
	11 years and above	5	12.2
Type of insurance	General insurance	27	65.9
	Life insurance	11	26.8
	Composite	3	7.3
Total		41	100.0

Source: Author (2018)

4.4.2 Training and Development Practices

The first objective of the study was to examine the effect of training and development practices influence firm performance. Respondents were asked to tick on the degree to which they agree or disagree with statements related to training and development. Descriptive statistics was used for analysis. Findings are presented in Table 4.2.

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4.2: Training and Development Practices

Statements	1(%)	2 (%)	3(%)	4(%)	5(%)	Mean	Std. Deviation
The quality of training and development is highly related to firm performance	0	2.4	4.9	24.4	68.3	4.59	0.706
Decision making is related to both individual and organizational needs	0	2.4	4.9	24.4	68.3	4.59	0.706
The organization aims at attracting qualified trainers	0	4.9	7.3	17.1	70.0	4.54	0.840
The organization utilizes formal training programs	2.4	4.9	7.3	12.2	73.2	4.49	1.003
Training assessments based on performance are carried out frequently	0	7.3	12.2	19.5	61.0	4.34	0.965
A wide range of training and development process are conducted	0	9.8	12.2	22.0	56.0	4.24	1.019
Managers considers employee learning as an investment and not an expense	4.9	4.9	12.2	24.4	53.7	4.17	1.138
Management development is aimed at management succession	0	12.2	14.6	19.5	53.7	4.15	1.085
The organization provide employees with training opportunities	9.8	7.3	4.9	19.5	58.5	4.10	1.357
Mean Index						4.35	

The study established that the quality of training and development is highly related to firm performance which obtained a high mean of 4.59. This implies that employee training and development has a significant impact on the organization in terms of increased productivity, employee knowledge and loyalty. Further it found out that decision making in the insurance firms is related to both individual and organizational needs. In addition the organizations aim at attracting qualified trainers to conduct the training programs. However, the firms provide the employees with training opportunities obtained the lowest mean of 4.10. The mean index stood at 4.35 indicating a strong level of agreement.

4.4.3 Recruitment Practices

The second objective of the study was to assess the effect of recruitment practices on firm performance. Respondents were asked to tick on the extent to which they agree or disagree with statements related to recruitment. Descriptive statistics were used for analysis. Findings are presented in Table 4.3.

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4.3: Recruitment Practices

Statements	1(%)	2(%)	3(%)	4(%)	5(%)	Mean	Std. Deviation
Recruitment aims at attracting high number of highly talented applicants	0	12.2	17.1	17.1	53.7	4.12	1.100
The recruitment process is aimed at increasing organizational competitiveness	4.9	19.5	4.9	19.5	51.2	3.78	1.349
Job performance is highly emphasized	19.5	7.3	7.3	9.8	56.1	3.76	1.640
Selection is based on job specification and job description	4.9	9.8	12.2	24.4	48.8	3.71	1.327
Vacant positions are exclusively filled from within	7.3	17.1	9.8	53.7	12.2	3.44	1.418
Mean Index						3.76	

The study revealed that recruitment practices carried out in insurance firms aimed at attracting high number of highly talented applicants which had a high mean of 4.12. This implies that recruitment process helps to attract qualified applicants which enhance organization performance. Additionally the study further revealed that recruitment process is aimed at increasing organizational competitiveness in the industry. However with the lowest mean of 3.44 the study revealed that vacant positions are exclusively filled from within. This is to show that most firm conduct external recruitment. The mean stood at 3.76 which indicate neutral agreement.

4.4.4 Compensation Practices

The third objective of the study was to establish the effect of compensation practices on firm performance. Respondents were asked to tick on the extent to which they agree or disagree with statements related to compensation. Descriptive statistics was used for analysis. Findings are presented in Table 4.4.

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4.4: Compensation Practices

Statements	1(%)	2 (%)	3(%)	4(%)	5(%)	Mean	Std. Deviation
Rewards and incentives system is characterized by objectivity and transparency	0	4.9	12.2	31.7	51.2	4.29	0.773
Bonuses are shared to all employees	0	2.4	9.7	12.2	75.7	4.16	0.771
Fairness of the pay structure is based on individual input	0	19.5	12.2	19.5	48.8	3.98	1.193
The organization has a well-organized and efficient compensation system	2.4	17.1	14.6	29.3	36.6	3.80	1.188
The input of individual staff is equivalent to the reward they receive	7.3	9.7	12.2	44.0	26.8	3.76	1.200
Compensation and rewards systems affect organizational outcome	14.6	19.5	9.8	46.3	9.7	3.14	1.442
Mean Index						3.86	

The study established that rewards and incentives system in the insurance firms are characterized by objectivity and transparency with the highest mean of 4.29. This is important as in the long run helps motivate and reduce employee turnover. The study further established that bonuses are shared to all employees who have helped the organization achieve the set goals. However, with the least mean of 3.14 the study showed that compensation and rewards affect organizational outcome. The mean stood at 3.86 which indicate neutral agreement.

4.4.5 Employee Relations Practices

The fourth objective of the study was to establish the effect of employee relations practices on firm performance. Respondents were asked to tick on the extent to which they agree or disagree with statements related to employee relations. Descriptive statistics were used for analysis. Findings are presented in Table 4.5.

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4.5: Employee Relations Practices

Statements	1(%)	2 (%)	3(%)	4(%)	5(%)	Mean	Std. Deviation
The managers convey employees' ideas to management	0	0	4.9	7.3	87.8	4.83	0.495
Disputes and grievances are adequately dealt with	0	4.9	4.9	31.7	58.5	4.63	0.662
Internal disputes in the organization are addressed	0	2.4	7.3	14.6	75.7	4.63	0.733
The organization aims at strengthening and expanding relations with staff	4.9	7.3	14.6	19.5	73.7	4.44	0.808
The organization practices an open door policy	0	4.9	12.2	19.5	63.4	4.41	0.894
Mean Index						4.59	

The study revealed that the managers convey employees' ideas to the management which had a high mean of 4.83. The study further revealed that internal disputes and grievances are adequately dealt with within the insurance firms to ensure peace and cohesion. However the study established that the organization practices an open door policy had the least mean of 4.41. The mean stood at 4.59 which indicate a strong level of agreement.

4.4.6 Firm Performance

In order to measure the indicators of firm performance, respondents were asked to indicate the extent to which they agree or disagree with the listed statements related to performance in their organization. Descriptive statistics was used for analysis. Findings are presented in Table 4.6.

Key: 1-Strongly disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly agree

Table 4.6: Firm Performance

	Statements	1(%)	2(%)	3(%)	4(%)	5(%)	Mean	Std. Deviation
Employee Retention								
	There exists high rate of employee retention.	0	7.3	9.7	17.1	65.9	4.41	0.948
Market Share								
	Company has opened new company branches over the last 5 years	0	4.9	12.2	61.0	22.0	4.00	0.742
Interpersonal Relations								
	The working atmosphere in this organization is conducive.	0	2.4	7.3	9.7	80.6	4.68	0.722
	There exists a good working relationship between superior and subordinate	0	9.7	14.6	17.1	58.6	4.24	1.044
	Mean Index						4.33	

The study revealed that in relation to interpersonal relations the working atmosphere in the organization was conducive with a high mean of 4.68. In addition the study established that there exist a good working relationship between superior and subordinate. However the study also showed that companies have opened new branches in the last 5 years which had the least mean of 4.00. The mean index stood at 4.33 which indicated a strong level of agreement.

4.5 Inferential Statistics

To establish the relationship between the independent variables and the dependent variable the study carried out inferential analysis which included coefficient of correlation, coefficient of determination and multiple regression analysis.

4.5.1 Coefficient of Correlation and Regression Analysis

In trying to portray the relation between the study variables and their findings the researcher utilized the Karl Pearson's coefficient of correlation (r). Correlation coefficient (r) ranging from 0.10 to 0.29 illustrates weak correlation, 0.30 to 0.49 is considered medium and whereas 0.50 to 1.0 is considered strong (Wong & Hiew, 2005). However, according to Field (2005) coefficient of correlation value beyond 0.8 illustrates multicollinearity. Since the highest (r) in this study is 0.590, hence there exist no multicollinearity,

4.5.2 Correlation Analysis Employee Retention and SHRM Practices

Table 4.7 below shows a Pearson coefficient of correlation matrix for employee retention as a measure of firm performance. A correlation test was run in SPSS to identify possible association between employee retention and SHRM Practices.

Findings in Table 4.7 show that only 2 variables were significant at 0.05 level of significance and $p < 0.01$ two tailed test. The Pearson correlation coefficient for employee retention and compensation was ($r = 0.476$, $p\text{-value}=0.001$) which was significant, that of employee retention and employee relations was ($r= 0.590$, $p\text{-value}=0.000$) which was also significant. Correlation between employee retention and both training and development and recruitment was insignificant.

Based on table 4.7 the correlation between firm performance (employee retention) and employee relations practices was the strongest depicted by a correlation value of

($r = 0.590$, $p < 0.000$). Followed by the relationship between compensation practices and employee retention ($r = 0.476$, $p\text{-value} = 0.001$). Then followed by training and development practices ($r = 0.176$, $p\text{-value} = 0.270$) and the weakest correlation being recruitment practices ($r = 0.073$, $p\text{-value} = 0.649$).

Table 4.7: Correlation Analysis Employee Retention and SHRM Practices

		Employee Retention	Training and Development	Recruitment	Compensation	Employee Relations
Employee Retention	Pearson Correlation	1				
	Sig. (2-tailed)					
Training and Development	Pearson Correlation	.176	1			
	Sig. (2-tailed)	.270				
Recruitment	Pearson Correlation	.073	.072	1		
	Sig. (2-tailed)	.649	.653			
Compensation	Pearson Correlation	.476**	.005	.129	1	
	Sig. (2-tailed)	.001	.976	.422		
Employee Relations	Pearson Correlation	.590**	.116	.016	.025	1
	Sig. (2-tailed)	.000	.471	.923	.879	
**. Correlation is significant at the 0.01 level (2-tailed).						

4.5.3 Regression Analysis

A linear regression analysis was done to further explain the relationship between employee retention as the dependent variable and SHRM practices as the independent variables (Training and development, recruitment compensation and employee relations). Table 4.8 below summarizes the Linear Regression Analysis results.

Table 4.8: Model Summary Employee Retention and SHRM practices

Model Summary						
Model	R	R Square	Adjusted R ²	Std. Error of the Estimate		
1	.548 ^a	.517	.532	.273		
a Predictors: (constant) Training and development, Recruitment, Compensation management , Employee relations						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.663	4	3.666	2.261	.022 ^b
	Residual	58.361	36	1.621		
	Total	73.024	40			
a Predictors: (constant) Training and development, Recruitment, Compensation, Employee relations						
b Dependent variable: Employee Retention						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	1.370	1.140		1.333	.154
	Training and development	.237	.255	.176	.950	.349
	Recruitment	.034	.151	.034	.223	.825
	Compensation	.581	.441	.406	2.703	.004
	Employee relations	.612	.533	.514	3.347	.000
a Dependent variable: employee retention						

Findings in Table 4.8 show that; of the four independent variables that were studied, they contribute 51% to employee retention as represented by the adjusted (r^2). This shows that other factors that the study did not focus on contribute to 49% of employee retention. The model in the table was significant (p-value = 0.022) at 0.05 level in explaining the linear relationship between strategic human resource management practices and employee retention. Additionally, the F-statistic is significantly greater than 1 thus indicating the appropriateness of the model in testing the relationship between independent and dependent variable. From the regression model, the following regression equation was derived:

($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 1.370 + 0.237X_1 + 0.034X_2 + 0.581X_3 + 0.612X_4$$

From the above regression model, holding training and development, recruitment, compensation and employee relations at constant zero, employee retention will be 1.370. It was established that a unit increase in training and development practices will contribute to a 0.237 rise in employee retention; a unit increase in recruitment practices will contribute to a 0.034 rise in employee retention; a unit increase in compensation practices will contribute to a 0.581 rise in employee retention and a unit increase in employee relations will contribute to a 0.612 rise in employee retention.

4.5.4 Correlation Analysis Market Share and SHRM Practices

Table 4.9 below shows a Pearson coefficient of correlation matrix for market share a measure of firm performance. A correlation test was run in SPSS to identify likely association between market share and SHRM Practices. Findings in Table 4.9 show That the Pearson correlation coefficient for market share and training and development was ($r = 0.380$, p-value=0.001) which was significant, that of market share and employee relations was ($r = 0.580$, p-value=0.000) which was also significant. Correlation between market share and both recruitment and compensation was insignificant.

Based on table 4.9 the correlation between firm performance (market share) and employee relations practices was the strongest depicted by a correlation value of ($r = 0.580$, $p < 0.000$). Followed by training and development practices with the value

($r = 0.380$, $p\text{-value}=0.001$). Then followed by recruitment practices ($r = 0.116$, $p\text{-value}=0.470$) and the weakest correlation being compensation practices ($r = 0.032$, $p\text{-value}=0.841$).

Table 4.9: Correlation Analysis Market Share and SHRM Practices

		Market share	Training and Development	Recruitment	Compensation	Employee Relations
Market share	Pearson Correlation	1				
	Sig. (2-tailed)					
Training and Development	Pearson Correlation	.380**	1			
	Sig. (2-tailed)	.001				
Recruitment	Pearson Correlation	.116	.072	1		
	Sig. (2-tailed)	.470	.653			
Compensation	Pearson Correlation	.032	.005	.129	1	
	Sig. (2-tailed)	.841	.976	.422		
Employee Relations	Pearson Correlation	.580**	.284	.016	.025	1
	Sig. (2-tailed)	.000	.072	.923	.879	
**. Correlation is significant at the 0.01 level (2-tailed).						

4.5.5 Regression Analysis

A linear regression analysis was done to further explain the relationship between market share as the dependent variable and SHRM practices as the independent variables (Training and development, recruitment compensation and employee relations). Table 4.10 below summarizes the Linear Regression Analysis results.

Table 4.10: Model Summary Market Share and SHRM practices

Model Summary						
Model	R	R Square	Adjusted R ²	Std. Error of the Estimate		
1	.778 ^a	.743	.648	.307		
a Predicators: (constant) Training and development, Recruitment, Compensation , Employee relations						
ANOVA^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10.367	4	2.842	14.502	.004 ^a
	Residual	5.146	36	.226		
	Total	25.513	40			
a Predicators: (constant) Training and development, Recruitment, Compensation, Employee relations						
b Dependent variable: market share						
Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	3.069	1.540		1.993	.054
	Training and development	.537	.355	.276	1.450	.001
	Recruitment	.034	.151	.034	.223	.825
	Compensation	.012	.310	.110	.207	.672
	Employee relations	.581	.241	.406	2.703	.000
a Dependent variable: market share						

Findings in Table 4.10 show that; of the four independent variables that were studied, contribute 74% to market share as represented by the adjusted (r^2). This shows that other factors that this study did not focus on contribute to 26% of market share. The model in the table was significant (p-value = 0.004) at 0.05 level in explaining the linear relationship between strategic human resource management practices and market share. Additionally, the F-statistic is significantly greater than 1 thus indicating the appropriateness of the model in testing the relationship between independent and dependent variable. From the regression model, the following regression equation was derived:

$$(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon) \text{ becomes:}$$

$$Y = 3.069 + 0.537 X_1 + 0.034X_2 + 0.012X_3 + 0.581X_4$$

From the above regression model, holding training and development, recruitment, compensation and employee relations at constant zero, market share will be 3.069. It was established that a unit increase in training and development practices will contribute to a 0.537 rise in market share; a unit increase in recruitment practices will contribute to a 0.034 rise in market share; a unit increase in compensation practices will contribute to a 0.012 rise in market share and a unit increase in employee relations will contribute to a 0.581 rise in market share.

4.5.6 Correlation Analysis Interpersonal Relations and SHRM Practices

Table 4.11 below shows a Pearson coefficient of correlation matrix for interpersonal relations a measure of firm performance. A correlation test was run in SPSS to identify possible association between firm image and SHRM Practices. Findings in Table 4.1 show that the Pearson correlation coefficient for interpersonal relations and training and development was ($r = 0.480$, p-value=0.001) which was significant, that of interpersonal relations and employee relations was ($r = 0.590$, p-value=0.000) which was also significant. Correlation between interpersonal relations and both recruitment and compensation was insignificant.

Based on table 4.11 the correlation between firm performance (interpersonal relations) and employee relations was the strongest depicted by a correlation value of ($r = 0.590$, $p < 0.000$). Followed by training and development practices at ($r = 0.480$,

p-value=0.001). Then followed by compensation practices ($r = 0.105$, p-value=0.514) and the weakest correlation being recruitment practices ($r = 0.063$, p-value=0.694).

Table 4.11: Correlation Analysis Interpersonal Relations and SHRM Practices

		Interpersonal relations	Training and Development	Recruitment	Compensation	Employee Relations
Interpersonal relations	Pearson Correlation	1				
	Sig. (2-tailed)					
Training and Development	Pearson Correlation	.480	1			
	Sig. (2-tailed)	.001**				
Recruitment	Pearson Correlation	.063	.072	1		
	Sig. (2-tailed)	.694	.653			
Compensation	Pearson Correlation	.105	.005	.129	1	
	Sig. (2-tailed)	.514	.976	.422		
Employee Relations	Pearson Correlation	.590**	.044	.016	.025	1
	Sig. (2-tailed)	.000	.783	.923	.879	
**. Correlation is significant at the 0.01 level (2-tailed).						

4.5.7 Regression Analysis

A linear regression analysis was done to further explain the relationship between interpersonal relations as the dependent variable and SHRM practices as the independent variables (Training and development, recruitment compensation and employee relations). Table 4.12 below summarizes the Linear Regression Analysis results.

Table 4.12: Model Summary Interpersonal Relations and SHRM Practices

Model Summary						
Model	R	R Square	Adjusted R ²	Std. Error of the Estimate		
1	.878 ^a	.753	.738	.390		
a Predictors: (constant) Training and development, Recruitment, Compensation , Employee relations						
ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.502	4	2.376	12.502	.001 ^a
	Residual	5.254	36	.173		
	Total	19.756	40			
a Predictors: (constant) Training and development, Recruitment, Compensation, Employee relations b Dependent variable: interpersonal relations						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	3.024	2.339		1.776	.084
	Training and development	.430	.309	.567	2.392	.004
	Recruitment	.087	.132	.104	.664	.511
	Compensation	.033	.122	.041	.266	.792
	Employee relations	.678	.569	.527	3.662	.000
a Dependent variable: interpersonal relations						

Findings in Table 4.12 show that; of the four independent variables that were studied, they contribute 75% to interpersonal relations as represented by the adjusted (r^2). This shows that other factors that this study did not focus on contribute to 25% of interpersonal relations. The model in the table was significant (p-value = 0.001) at 0.05 level in explaining the linear relationship between strategic human resource management practices and interpersonal relations. Additionally, the F-statistic is significantly greater than 1 thus indicating the appropriateness of the model in testing the relationship between independent and dependent variable. From the regression model, the following regression equation was derived:

$(Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon)$ becomes:

$$Y = 3.024 + 0.430 X_1 + 0.087X_2 + 0.033X_3 + 0.678X_4$$

From the above regression model, holding training and development, recruitment, compensation and employee relations at constant zero, interpersonal relations will be 3.024. It was established that a unit improvement in training and development practices will contribute to a 0.430 rise in interpersonal relations; a unit improvement in recruitment practices will contribute to a 0.087 rise in interpersonal relations; a unit improvement in compensation practices will contribute to a 0.033 increase in market share and a unit improvement in employee relations will contribute to a 0.678 rise in interpersonal relations.

4.5.8 Overall Summary Model SHRM Practices and Firm Performance

A linear regression analysis was done to explain the relationship between all the independent variables and firm performance. Table 4.13 below summarizes the Linear Regression Analysis results. In the regression, Training and Development, Recruitment, Compensation and Employee were the independent variable while Firm Performance was the dependent variable.

Table 4.13: Regression Analysis Firm Performance and SHRM Practices

Model Summary						
Model	R	R Square	Adjusted R ²	Std. Error of the Estimate		
1	.868 ^a	.754	.727	.378		
a Predictors: (constant) Training and development, Recruitment, Compensation , Employee relations						
ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.745	4	3.936	18.609	.000 ^a
	Residual	5.133	36	.143		
	Total	20.878	40			
a Predictors: (constant) Training and development, Recruitment, Compensation, Employee relations						
b Dependent variable: firm performance						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	2.024	2.229		1.776	.184
	Training and development	.568	.105	.529	8.054	.000
	Recruitment	.034	.045	.008	.096	.924
	Compensation	.044	.042	.087	1.042	.304
	Employee relations	.552	.102	.458	4.563	.000
a Dependent variable: firm performance						

Findings in Table 4.13 above show that; of the four independent variables that were studied, they contribute 75% to firm performance as represented by the adjusted (r^2). This means that other factors that this study did not focus on contribute to 25% of firm performance. The model in the table was significant (p-value = 0.000) at 0.05 level in explaining the linear relationship between strategic human resource management practices and firm performance. Additionally, the F-statistic is significantly greater than 1 thus indicating the appropriateness of the model in testing the relationship between independent and dependent variable. From the regression model, the following regression equation was derived:

($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes:

$$Y = 2.024 + 0.568X_1 + 0.034X_2 + 0.044X_3 + 0.552X_4$$

From the above regression model, holding training and development, recruitment, compensation and employee relations at constant zero, firm performance will be 2.024. It was established that a unit increase in training and development practices will contribute to a 0.568 rise in firm performance; a unit increase in recruitment practices will contribute to a 0.034 rise in firm performance; a unit increase in compensation practices will contribute to a 0.044 rise in firm performance and a unit increase in employee relations will contribute to a 0.552 rise in firm performance.

From the model training and development practices (p=0.000) and employee relations (p= 0.000) had a significant relationship with the dependent variable (firm performance) as their p-values were below 0.005 while recruitment practices (p= 0.924) and compensation practices (p=0.304) had an insignificant relationship with the dependent variable as their p-values were above 0.005.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the study focuses on interpretations and implications of the study based on the research questions and objectives. The purpose of this study was to establish the influence of strategic human resource management on firm performance of insurance firms in Kenya. The chapter is structured as follows; discussions of the findings, conclusion, recommendations as well as the limitations of the study and areas of further study.

5.2 Discussion of findings

This section provides the discussion of findings according to the study objectives.

5.2.1 Training and Development Practices and firm performance

The study disclosed that training and development practices influence firm performance at ($P=0.000$). It revealed a positive correlation between training and development practices and market share and interpersonal relations. The study concluded that most insurance companies make use of formal training through training programs; consider employee learning as an investment instead of an expense and firms provide employees with training opportunities to enhance their capabilities and skills which in return leads to a positive effect on firm performance. However, training and development was found to be insignificant to employee retention. The study concurs with the findings of Barak, Maymon and Harel (1999) and Singh (2004) that investment in training employees results in improved organizational level outcome as well as individual performance. Hence investment in training and development programs will in return boost interpersonal relations between employer-employee relations as well as between co-workers as well lead to improved services and hence increase in market share. The study found that training and development positively influence performance and supports the findings of Abang et al. (2009) and Abebe and Bariha, (2012).

5.2.2 Recruitment Practices and Firm Performance

Descriptive statistics done on the study revealed that job performance focuses on attracting high number of highly talented applicants as it obtained a high mean of 4.12. However with a low mean of 3.34 the findings showed that vacant managerial and higher technical positions are not exclusively filled from within. This can also be concluded for insurance companies in Kenya. With a ($p=0.924$) a conclusion is made that there exists no correlation between recruitment and firm performance and thus recruitment practices have no effect on firm productivity. Therefore, the findings of this research conclude that recruitment practices do not significantly influence firm performance which contradicts the general finding of previous studies that recruitment influences performance (Rauf, 2007 and Husselid, 1995). However, the findings concur with the work of Dimba and K'Obonyo (2009), that recruitment and hiring do not directly influence performance.

5.2.3 Compensation Practices and Firm Performance

On compensation, descriptive statistics established that benefits and incentives systems in the insurance firms are identified by objectivity and transparency which obtained the highest mean of 4.29. However, the respondents agreed to a neutral extent that their organizations had a well organized and efficient compensation system and that compensation systems influence firm performance which obtained the lowest mean of 3.14. At ($P=0.304$) the study revealed that compensation does not affect firm performance positively. This study differs with previous studies of Singh, (2004) and Chiu et al., (2002) that compensation has a positive relationship with the organizational performance.

5.2.4 Employee Relations Practices and Firm Performance

Employee relations practices at ($p=0.000$) shows a positive relationship with firm performance. We can then conclude that most insurance companies address internal disputes in accordance with the industrial dispute act and practice an open door policy to allow free communication between the employee and management. Further a high number of the respondents agreed that their companys' seek to strengthen and expand relations with employees as this will act as a motivator for improved performance in the insurance firms in Kenya.

This findings concur with the work Chapman and Goodwin (2001) and Ngari et al., (2005) that employee relations has a positive effect on firm performance and that a cohesive department can be built only through good interactions together with strong and sensitive leadership.

5.3 Conclusion

The set of SHRM practices studied was: training and development, recruitment, compensation and employee relations. The study further established that of the four SHRM practices only training and development and employee relations influenced firm performance. Firm performance was measured through three constructs namely; employee retention, market share and interpersonal relations. Training and development and employee relations positively and significantly influences performance in terms of employee retention, market share and interpersonal relations whereas compensation influences employee retention in the Kenyan insurance firms. The study further established that there exist no correlation between the SHRM practice; recruitment and compensation and firm performance in the insurance firms in Kenya. This implies that continued investment in training and development programs and ensuring strong employee-employer relations will in return ensure competitive advantage of individual insurance firms as well as improved productivity in the insurance sector in Kenya.

5.4 Recommendations

As per the findings of the study the recommendations are as follows;

Management of insurance companies should put greater emphasis on training programs to attain higher productivity. Programs in these firms should be refined and restructured to ensure that they are efficient and effective as this serves to increase human capital knowledge and in the long run reduce on operational cost.

Further explorations into ensuring a healthy employer-employee relationship as well as the implementation of SHRM strategies should continue in the industry as these also has a role in ensuring that efficiencies of human resource are achieved and in the future increased profitability.

The insurance regulatory body should encourage human capital growth and empowerment within the industry. The body should strive to create a favourable environment for the implementation of SHRM policies.

5.5 Limitations of the Study

The purpose of the study was to find out the influence of strategic HRM practice on firm performance of insurance firms in Kenya. As with every research this study was subject to a few constraints. The study was only conducted in the insurance firms, thus the finding can only be generalized on licensed firms and not any other insurance players in Kenya. In addition, the study required only one respondent to fill in the questionnaire, those who agreed to fill in the questionnaire took more time before they sent them back. Furthermore, the study only focused on non- financial measures as a measure of performance.

5.6 Areas of Further Research

The influence of SHRM practices on firm performance was only tested in the insurance industry in Kenya; further studies should be conducted in other industries as well as other nations to see how the results differ from the present study. This study only used the non-financial measures to measure firm performance; future studies should incorporate the financial measures. Finally, the study only focused on four practices, other studies should be done focusing on other sets of SHRM practices.

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APPENDICES

APPENDIX I: Introductory Letter



Strathmore
UNIVERSITY

6th February, 2017

TO WHOM IT MAY CONCERN

Academic Reference for Njenga, Miriam Wambui Student No. 83586

Ms Njenga, Miriam Wambui is a postgraduate student in our Master of Commerce (MCom) programme. In partial fulfilment of the MCom degree, students are required to carry out a research project and write a thesis on a contemporary subject within their field of specialisation. Among other activities, the project involves data collection and analysis.

Miriam is requesting to gather information to be used in her research. The information she will obtain from your organization will be used for this academic purpose only and will be kept confidential. The results of the survey will be in summary form and will not disclose any individual, company name or company information in any way.

The research study is entitled “**The Influence of Strategic Human Resource Management Practices on Firm Performance in the Kenyan Insurance Firms.**”

We hope that your organization can assist by providing information to the above named student.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Quindos Karanja'.

Quindos Karanja
Coordinator – Master Programmes
School of Management and Commerce
Email: qkaranja@strathmore.edu

APPENDIX 1I: Questionnaire

This questionnaire seeks information on **the influence of strategic human resource practices on firm performance of the insurance firm in Kenya**. The study hopes to obtain the required data through filling out the questionnaire by ticking in the answer box that goes with your choice. For confidentiality purposes do not indicate your name or that of the organization.

Thanking you for your cooperation

SECTION A: DEMOGRAPHIC INFORMATION

Tick where appropriate

1. What is the size of your organization (Total number of permanent employees)

(Please tick one)

Below 99 employees []

Between 100 – 250 []

Between 251 – 450 []

Between 451 – 650 []

Above 651 []

2. For how long have you been employed by your current employer **(Please tick one)**

Less than a year []

1-5 years []

6-10 years []

11years and above []

3. Type of insurance that you operate **(Please tick)**

General Insurance [] Life Insurance [] Composite []

SECTION B: STRATEGIC HUMAN RESOURCE PRACTICES

A) TRAINING / DEVELOPMENT PRACTICES

4. To what extent do you agree with the following statements related to training and development in your organization? Please indicate the extent to which you agree or disagree with each of the statements. **(Scale: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree).**

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree

	(1)	(2)	(3)	(4)	(5)
The organization utilizes formal training programs					
Managers considers employee learning as an investment and not an expense					
The organization provide employees with training opportunities					
Management development is aimed at management succession					
Decision making is related to both personal and organizational needs					
The organization aims at attracting qualified trainers					
Training assessments based on performance are carried out frequently					
The quality of training and development is highly related to firm performance					
A wide range of training and development process are conducted					

B) RECRUITMENT PRACTICES

5. To what extent do you agree or disagree with the following statements related to recruitment process in your organization? Rate where 1 is to a strongly disagree and 5 is to strongly agree. (Scale: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree).

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Job performance is highly					

emphasized as a condition for internal selection					
Recruitment in the organization aims at attracting high number of highly talented applicants					
The recruitment process of getting highly qualified personnel is aimed at increasing organizational competitiveness and hence performance					
Selection for manual and physical skills is based on job specification and job description					
Vacant managerial and higher technical positions are exclusively filled from within					

C) COMPENSATION PRACTICES

6. To what extent do you agree or disagree with the following statements related to compensation in your organization? Rate where 1 is to a strongly disagree and 5 is to strongly agree. (Scale: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree).

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Rewards and incentives system in the organization is characterized by its objectivity and transparency					
Bonuses are distributed to all					

employees who have helped the organization achieve goals					
The input of individual workers is equivalent to the reward they receive from the organization					
The organization has a well-organized and efficient compensation system					
Fairness of the pay structure within an organization is based on individual input					
Compensation and rewards systems affect organizational outcome					

D) EMPLOYEE RELATIONS PRACTICES

7. To what extent do you agree or disagree with the following statements related to employee relation in your organization? Rate where 1 is to a strongly disagree and 5 is to strongly agree. (Scale: 1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree).

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Industrial disputes in the organization are addressed in accordance with the industrial disputes act					
The organization practices an open door policy to allow free communication between the employees and the					

management					
The managers convey the employees' ideas to the higher levels of the organization					
Internal disputes and grievances are adequately dealt with within the organization					
The organization aims at strengthening and expanding relations with staff					

SECTION D: FIRMPERFORMANCE

8. To what extent do you agree or disagree with the following statements related to performance in your organization? Rate where 1 is to a strongly disagree and 5 is to strongly agree. (Scale: **1. Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree**).

Statement	Strongly Disagree (1)	Disagree (2)	Neutral (3)	agree (4)	Strongly agree (5)
Employee Retention					
a) There exists high rate of employee retention.					
Market Share					
a) This company has opened new company branches over the last 5 years					
Interpersonal relations					
a) There exists a good working relationship between superior and subordinate					
b) The working atmosphere in					

this organization is deemed conducive.					
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Thank You for your participation!

APPENDIX III: List of Organizations

General and life insurance companies in Kenya			
	Name		Name
1	AAR Insurance Co. Ltd	29	Madison Insurance Co. Ltd
2	Africa Merchant Assurance Co. Ltd	30	Monarch Insurance Co. Ltd
3	APA Insurance Ltd	31	Kenya Alliance
4	Britam General Insurance Co. Ltd	32	Takaful Insurance of Africa Ltd
5	CIC General Insurance Co. Ltd	33	Kenya Reinsurance Corp. Ltd.
6	Directline Assurance Co. Ltd	34	Kenindia Assurance Co. Ltd
7	Invesco Assurance Co. Ltd	35	Ghana Re
8	Sanlam General insurance Ltd	36	Pioneer General Insurance Ltd.
9	Resolution Insurance Co. Ltd	37	Intra Africa Assurance Co. Ltd
10	The Heritage Insurance Co. Ltd	38	Mayfair Insurance Co. Ltd
11	UAP Insurance Co. Ltd	39	Kenya Orient Insurance Ltd
12	UAP Life Assurance Co. Ltd	40	Occidental Insurance Co. Ltd
13	Pioneer Assurance Co. Ltd	41	Pacis Insurance Co. Ltd
14	Sanlam Life Insurance Ltd	42	APA Life Assurance Co. Ltd
15	Old Mutual Assurance Co. Ltd	43	Prudential Life Assurance Co. Ltd
16	Liberty Life Assurance Kenya Ltd	44	Tausi Assurance Co. Ltd
17	Kenya Orient Life Assurance Ltd	45	Trident Insurance Co. Ltd
18	ICEA Lion Life Assurance Co. Ltd	46	Xplico Insurance Co. Ltd
19	CIC Life Assurance Co. Ltd	57	GA Insurance Ltd
20	Metropolitan Cannon Life Assurance Ltd	48	Continental Reinsurance Ltd
21	GA Life Assurance Ltd	49	East Africa Reinsurance Co.Ltd
22	AIG Kenya Insurance Co. Ltd	50	Corporate Insurance Co. Ltd.
23	Allianz Insurance Co. Ltd	51	Geminia Insurance Co. Ltd.
24	Barclays Life Assurance Co. Ltd	52	First Assurance Co. Ltd.
25	Britam Life Assurance Co	53	Capex Life Assurance Co. Ltd
27	Fidelity Shield Insurance Co. Ltd	54	Corporate Insurance
28	ICEA Lion General Insurance Co. Ltd	55	Phoenix Of East Africa Assurance Co. Ltd