

**INFLUENCE OF HUMAN RESOURCE MANAGEMENT PRACTICES ON
EMPLOYEE PERFORMANCE IN BRITISH AMERICAN INSURANCE COMPANY,
KENYA.**

Oduor Beatrice Atieno ¹

Msc. Human Resource Management,

Jomo Kenyatta University of Agriculture & Technology

Dr. Abok Mwajuma Alice ²

Jomo Kenyatta University of Agriculture and Technology

Dr. David Kiarie Mburu ³

Jomo Kenyatta University of Agriculture and Technology

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ABSTRACT

As organizations continue to face mounting competitive pressures, human resources have been recognized as providing a source of competitive advantage to the firms. In support of this, many scholars have reiterated that the increasing interest in human resources is due to the assumptions that employees' role and the way they are managed is critical to the success of a firm. Hence, the importance of having a competitive human resource is synonymous with the success of today's organizations to meet their interests and challenges of today's competitive business climate. This study used a descriptive research design to gather information from the target population on the influence of recruitment, training, compensation and talent management on employee performance

in British American Insurance Company in Kenya. Sample size was determined using Barreiro & Albandoz (2014) statistical technique which indicates that a sample has to be representative of the population. The study targeted 200 employees comprising of Management and supervisory staff. A sample size of 50% was drawn from the target population using simple random sampling method. 100 questionnaires were distributed to respondents, out of 100 questionnaires 82 were filled and returned. Both primary and secondary data were used to obtain information on employee performance. The primary data was collected by use of self-administered questionnaires with both open and closed ended questions. The questionnaire was pre-tested in a pilot study to determine the reliability and validity of the instrument. Analysis of Variance (ANOVA) was conducted using SPSS-21 to test if the model is statistically significant in predicting employee performance. The study found out that F-calculated value (7.549) was greater than F-tabulated (3.23) value at 5% significant level. Hence, the model is statistically suitable for predicting employee performance. A multiple regression analysis was conducted and results showed that recruitment, training, compensation and talent management have influence on employee performance in British American Insurance Company in Kenya and the correlation analysis results also indicated a strong positive relationship between the independent variables with dependent variable. The results were presented using tables, percentage distributions and charts. This study concludes that there is an existence of strong relationship between human resource management practices and employees performance in British American Insurance Company. Hence, there is need to embrace good human resource management practices in order to promote employee performance for the insurance companies to succeed. Finally, recommendation were made in the following; that British American Insurance Company should support employees' attachments to the compensation issues; enhance employees' personal developments; Managers coaching and job rotations to develop capabilities and improve employee performance and that the company should align employees' talent management system to meet up with the business requirements; and management should know what factors contribute to difficulties in attraction and retention of employees so that effort should be made to keep various retention factors in balance in order to ensure continuity of its operations and productivity.

Background of the study

Human resource management practices are central to improve the quality of services offered by organizations. Having good human resource management is likely to generate much loyalty, commitment or willingness of employees to apply extra effort for the organization objectives (Pfeffer, 2014). In today's competitive and global environment it's crucial for every organization to retain competent employees for survival as the success of any business is closely tied to the job performance of its employees (Kaushiki & Manisha, 2014). It is imperative for Managers to hire employees with the right skills and qualifications for the job. Once the hiring process is complete,

managers should ensure that an employee's work is closely aligned with the organization's goals and objectives (Swarthout, 2015). Enhancing employees' job performance is a process that never ends and it rests on the foundation of a meaningful and emotionally enriching work experience. Line managers play a key role in enhancing job performance with the support of organizational initiatives in the areas of job design, training programmes, including leadership development for line managers, and performance and reward management systems (Jenkins & Delbridge, 2013).

Global Perspective on Employee Performance

According to Development Dimension International (DDI) HR Benchmark survey, the current HR practices in play at the global level are leadership development 52%, recruiting high-quality employees 40%, performance management 37% and employee retention at 33% (Rioux, Paul, Bernthal, & Richard, 2014). The findings were aligned with a study conducted by The Conference Board in which respondent organizations indicated that identifying and developing leaders was the most pressing issue in their organizations. Almost all the organizations in the study 91% identified leadership as the critical success factor needed for global growth. Global organizations require strong leaders who can drive the business in the global marketplace and effectively manage people in different cultures and environments. The study identified a sizeable gap between current and future leadership skills. In the International HR departments' recruitment is logical in light of the raging global war for talent. The labor market is tight not only in the United States but also in many other parts of the world. According to Boatman *et. al.* (2011) 162 respondent organizations out of 210 indicated that the availability of fewer qualified candidates and competition for the same applicants were the top barriers to effective recruitment and selection.

1.1.2 Regional perspective on Employee Performance

In Nigeria traditional HRM functions, such as recruitment and selection, performance appraisal, among others, are very much practiced by HR professionals. However, issues of tribalism, AIDS, training and development and corruption are some of the challenges identified that need to be addressed (Anakwe, 2014). In Mozambique firms have made use of informal workplace training, commonly known as “sitting with Nellie” or one-on-one. 15% of firms sponsor courses without side training agencies while 10% of the firms made no use of training at all and 5% of firms made use of advertisements or employment agencies (Webster & Wood, 2010). A study on, on the job training and employee performance in DHL and FedEx courier companies in Dar es Salaam Tanzania showed that employee performance depends on the training employees received (Jagero, Komba, & Mlingi, 2012).

Kenyan perspective on Employee Performance

Insurance companies are important and growing segment of the domestic financial sector in Kenya. The role played by employees in supporting economic and financial development of the insurance companies leads to protection from financial loss by certain contingent events. This allows investors to take commitments that they might not have otherwise been prepared to consider. The insurers’ efforts to mitigate risks and make transfer of risks more affordable and manageable contribute to financial development, hence the need for insurance companies to be managed by skilled and competent personnel. (Ngugi, 2013). Recruitment and selection of employees’ are significant determinants of performance in the SMEs in Kisumu that accounts for 72.4% of the variance in the performance of the SMEs (Omolo, Otengah, & Oginda, 2013). The findings agreed with the views of Montan & Charnou (2012), that recruitment as the process of attracting, screening, and selecting qualified people for a job, has a direct impact on performance.

A survey of Health Workers in Siaya County in Kenya, found out that there is a strong positive relationship between training and development of employees and performance. 63.3% of the respondents consider experience as a factor in training employees, 50% cited education background, 30% seniority and others 26.7%. The results indicated that the main constituent of monetary rewards (salaries) is based on grading systems that the employer sets relative to either the education level or the experience of the employees.

Statement of the Problem

Employee performance is critical to the success of any company. British American Insurance Company in Kenya like many other companies is faced with challenges of employee performance and increased employee turnover despite its efforts to support employees' achieve their aspirations through training, personal development plans and initiatives to ensure the business processes are done efficiently. Mose & Kuloba (2013), Messah & Kubai (2014) indicated that inappropriate implementation of HRM policies and procedures led to increased turnovers of employees' and staff poaching to other sectors lowering the productivity. Failures to adhere to the recruitment policies, standards and procedures when recruiting candidates to fill vacant positions in an organization results to skill shortages, loss of talents to competitors, increased cost of hiring new employees and low organizational profitability (Slabbert & George , 2014). New employees hired lack specific skills, knowledge and competencies necessary to perform their new roles and responsibilities leading to low employee productivity and organization's profits (Elnaga & Imran, 2013). The findings of this study are to fill-in the existing research gap by determining the

influence of recruitment, training, compensation and talent management based on people performance potential model in British American Insurance Company in Kenya.

Theoretical Review

Andy (2004), developed people performance potential model appearing in different formats with different terminology and different titles of the model. The model lies on a four-part 2 x 2 matrix, which is a common method of classification in management and beyond. The purpose of the model is to enable a simple assessment and representation of the mixture of types according to potential and performance within any work group or team, but it is a relatively blunt instrument and is neither designed nor recommended for detailed individual staff assessment (Andy, 2004). The model provides a quick view or perspective of a group profile that often is elusive in complex human resources audits, and can assist in making investment decisions, although this apparently early purpose of the model should be approached with care given the more sophisticated expectations and considerations of modern organizational management. The model is not for individual counseling and development, other than for reference and interest alongside more accurate and objective individual assessment tools and processes. The people potential performance model is especially useful in illustrating clearly and broadly the mix or profile of quite large groups of people within a human resources or organizational planning context. It's also helpful in understanding, determining, and explaining the different treatment that is appropriate for different categories of people in a group, according to local definitions and implications.

Andy (2004) noted that the model can also be used to show an ideal mix, and an actual mix, and thereby highlighting the gap or difference, from an overall strategic viewpoint. It can be a useful supplementary tool or reference point alongside more detailed and complex appraisals and training needs analysis processes. The model has a good training and educational value, it can help

managers and leaders to understand that people are different, have different needs, and can be helped in different ways and directions, appropriate to their situations.

Resource Based View Theory

The major part of any firm's strength or weakness stems from the caliber of the people employed and the quality of their working relationships. Recruitment is the searching for and obtaining a pool of potential candidates with the desired knowledge, skills and experience to allow an organization to select the most appropriate people to fill job vacancies against defined position descriptions and specifications (Armstrong, 2012). According to the Resource Based View theory, firms should constantly evaluate their workforce to ensure that they have the right people with the right skills in the right places to ensure sustained competitive advantage, (Barney, Wright & Ketchen, 2011).

The use of human resource management systems is necessary for firms to gain a competitive advantage (Sparrow, Schuler, & Jackson, 2012). Technology and capital can be acquired by most firms any time, for a price, but it is not easy to acquire a ready pool of highly qualified and motivated employees, thus, in order to be differentiated, the companies need to be very careful with the recruitment processes and consider recruitment as a key tool to achieving the overall business goal (Boxall & Purcell, 2013).

Herzberg two- factor theory

The two factors Herzberg (1968) also known as Herzberg's motivation-hygiene and dual-factor theory has perspective framework of factors causing job satisfaction and dissatisfaction at the work place. Most fundamental aspect is how these factors functionally applied by HRM practices to influence attitudes towards administration such that gratification of higher-level psychological

needs and impacts on employee retention (Sajjad, Ghazanfar, & Ramzan, 2013). Training causes a permanent change in behavior and should be designed appropriately in such a way that it can operationalize intrinsic, extrinsic, career development and employee relations for the dual advantage of the organization and employees (Leibowitz & Schlossberg, 2014). To develop the desired knowledge, skills and abilities of the employees, true motivators and hygiene factors must be considered by the insurance company. These include: job satisfaction, achievements, recognition, challenging tasks, delegation of power and authority through responsibility, fringe benefits, competitive salaries, job security, freedom and control during execution of tasks and duties. These will foster trusts and commitments that are critical in management of organization's affairs leading to high employee productivity (Aryee, 2012).

Vroom's Expectancy theory

Compensation is the total amount of the monetary and non-monetary pay provided to an employee by an employer in return for work performed as required (Reynolds, 2014). According to Kopelman (2010) people join an organization based on four assumptions. One assumption is that people join organizations with expectations about their needs, motivations, and past experiences. These influence how individuals react to the organization. A second assumption is that an individual's behavior is a result of conscious choice. That is, people are free to choose those behaviors suggested by their own expectancy calculations. Third assumption is that people want different things from the organization for example: good salary, job security, advancement, and challenge. A fourth assumption is that people will choose among alternatives so as to optimize outcomes for them personally. The expectancy theory based on these assumptions has three key elements: expectancy, instrumentality, and valence. A person is motivated to the degree that he or she believes that (a) effort will lead to acceptable performance (expectancy), (b) performance will

be rewarded (instrumentality), and (c) the value of the rewards is highly positive (valence) (Vroom, 1964).

Employers should try to increase the belief that good performance will result in valued compensation by measuring job performance accurately; describing clearly the compensations that will result from successful performance; describing how the employee's compensations is based on past performance; providing examples of other employees whose good performance has resulted in higher compensations. Employers should link directly the specific performance they desire to the compensations desired by employees as it is important for employees to see clearly the compensation process at work. However, compensations linked to performance need not be monetary, can be Symbolic and verbal forms of recognition for good performance which can be very effective as well (Markham, Dow & McKee, 2012). Issue that may surface with expectancy theory are: the need for employers to minimize the presence of countervailing compensations, performance compensations that have negative valences and group norms that may cause some employees to perform their jobs at minimum levels (Mayo, 1933). Formal compensations and the job itself would otherwise motivate employees to perform at higher levels (Vroom, 1964).

Chris Argyris theory, about Personality and Organization

Talent Management is a set of integrated organizational human resource (HR) processes designed to attract, develop, motivate, retain, and engage employees. The goal of talent management is to create a high-performance, sustainable organization that meets its strategic and operational goals and objectives (Hopkins, 2010). Chris Argyris theory claims that, corporate jobs have become stultifying. Normal human development implied increases autonomy, responsibility and time horizons, but jobs limited responsibility were specialized and reduced time horizons. Controlling or manipulative managements made employees indifferent to their jobs (Argyris, 1957). The

talented employee would find greener pastures in self-employment, career change into an alternative profession or moving up through the hierarchy. Since only a small fraction of employees could move up the ladder (Argyris, 1957). Argyris seminal argument implied that talented employees did not typically have a future in most organizations. In fact, it was unlikely that management would identify talented employees or that talented employees would aim to stay (Kerubo, 2014). The critical element of a successful talent management program is the generation of "talent pools" within a company reliable and consistent internal source of talent and a valuable piece of the succession planning process. The development of skilled talent pools makes it easier to develop desirable skill sets in a broader group of employees, resulting in a higher performance across all levels and functions. By cultivating talent pools internally you are ensuring that you will have experienced and trained employees prepared to assume leadership roles as they become available (Kerubo, 2014). McKinsey polled 410 corporate officers and found that organizations scoring in the top quintile of talent management practices outperform their industry, as measured by return on shareholder value. The quality and engagement of a firm's talent has far reaching implications on its ability to outperform competitors and to maintain that edge going forward (Axelrod & Handfield-Jones, 2010).

RESEARCH METHODOLOGY

The study used a descriptive research design to determine the influence of HRM practices on employee performance in British American Insurance Company, Kenya. The target population was 200 employees comprising of Management and Supervisory staff. Simple random sampling technique was used to select a sample size of 50% employees to represent the target population.

Data Analysis

A multiple regression analysis was used to show the relationship between the independent variables with the dependent variable (Kerlinger & Howard, 2013). The model tested was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where:

Y = Employee performance (High performance=1, Low performance=0)

X1 = Recruitment

X2 = Training

X3 = Compensation

X4 = Talent management

e = Margin error

β_0 = represents the constant

$\beta_1, 2, 3, 4$ are regression coefficients

Descriptive Analysis

Descriptive analysis of a five point Likert scale (: Strongly Agree = 5, Agree = 4, -Neutral =3, Disagree = 2, Strongly Disagree =1) was used to find out whether employee performance in British American Insurance Company in Kenya is influenced by recruitment, training, compensation and talent management. The R-squared in this study was 0.282. The Researcher applied the Statistical

Package for Social Science (SPSS Version 21) to code, enter and compute the findings of the regression for the study. From the regression findings, the substitution of the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes: $Y = 2.125 + 0.061X_1 + 0.141X_2 + 0.182X_3 + 0.082X_4 + e$. Where Y is the dependent variable (Employee performance), X_1 is the recruitment variable, X_2 is training variable, X_3 is compensation variable and X_4 is talent management variable. According to the intercept (β_0), when all factors into account (recruitment, training, compensation and talent management) are held constant at zero, employees' performance was 2.125. a unit increase in recruitment led to 0.061 increase in employee performance. A unit increase in training led to 0.141 increase in employee performance, a unit increase in compensation led to 0.182 increase in employee performance, a unit increase in talent management led to 0.082 increase in employee performance. This infers that compensation contributes more to the employee performance in British American insurance Company. The study found out that F-calculated value (7.549) was greater than F-tabulated (3.23) value at 5% significant level. Hence, All the variables were statistically significant ($p < 0.05$).

Conclusion of the study

From the findings of this study, it can be concluded that human resource management practices have a direct influence on employee performance in carrying out each and every aspect of their duties and responsibilities and adding value to the organizational productivity. The regression analysis results showed that human resource management practices increase employees' productivity, efficiency, innovation and creativity and encourages employees to achieve organizational goals. The correlation matrix results indicated that there is a positive relationship between the independent variables (recruitment, training, compensation and talent management)

with the dependent variable (employee performance). Effective human resource practices are the intervention between employee performance and organization growth.

Recommendations of the study

The study brought out the importance of human resource management practices and its influence on employee performance. It is recommended that compensation systems in British American Insurance Company should support employees' attachments to the compensation issues.

The study recommends that British American Insurance Company should hence on its employee's personal developments, Managers coaching and job rotations to develop capabilities and improve employee performance. Clearly outline and communicate employees' career development policies; succession planning policy to ensure continuity of its operations and productivity.

Areas for further research

This study and its findings should be viewed as a starting point for more extensive research related to determine the influence of HRM practices on employee performance in British American Insurance Company and all other insurance companies in Kenya.

This study has been limited to the four human resource management practices namely: recruitment, training, compensation and talent management. Hence, future research should examine the influence of other human resource management practices on employee performance in all insurance companies in Kenya.

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