SYSTEMIC REVIEW ON IMPACT OF STRATEGIC HUMAN RESOURCES MANAGEMENT ON ORGANIZATIONAL PERFORMANCE IN INSURANCE INDUSTRY

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Abstract:
Insurance industry shares an important place in the global economy and add value to the GDP of any country. The Strategic Human Resource Management functions have a key role on firm’s performance in the insurance sector and has the ability to change it fundamentally. SHRM has led to significant internal structural changes in the insurance industry. People of an organization are significant assets who are able to transform from tangible assets to optimum productive resources in order to satisfy the organizational requirements. This research examines the impact of SHRM functions on organizational performance of insurance companies in Sri Lanka as well as examining whether the impact of SHRM practices on organizational performance is contingent on organizations’ people factor. A multi-responsive survey of 29 licensed insurance companies was undertaken and data collected was subjected to correlation analysis as well as descriptive statistics, applying SPSS and AMOS statistical tools in pursuance of the study’s stated objectives. The stated study area was measured through a well

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administered questionnaire which was developed based on nine SHRM and performance dimensions, covering strategy, structure, systems, staff, skills, shared values/style, HR statistics, people strategy and organizational performance. The study is a literature-based survey.

**Keywords:** strategic human resource management (SHRM), strategy, performance dimensions, covering strategy, structure, systems, staff, skills, shared values/style, HR statistics, people strategy and organizational performance

1. Introduction

Firm’s strategy is an integrated, coordinated set of interventions and plans meant to exploit core competencies and gain a competitive advantage. In the sense, strategies are purposeful and precede the taking of actions to which they apply (Slevin and Covin, 1997). Business sector strategy is designed to add value to customers and gain a competitive advantage by optimizing the use of core competencies in specific, individual product and service markets (Dess et al., 1995). Thus, a firm-level strategy depicts a firm’s belief about where and how it has an advantage over its rivals.

Organizational strategies are concerned with a firm’s industry position relative to competitors (Porter, 2005). Thus, favorably positioned firms may have a competitive advantage over their industry rivals. As to the types of business strategy, Miles and Snow’s (1984) strategy types involved defenders, prospectors, and analyzers. Porter (1985) classified strategies into three generic types: cost leadership, differentiation, and focus. Schuler and Jackson (1987) used labels slightly different from those of Porter to classify business strategy into three types: cost-reduction, innovation, and quality-enhancement. Many scholars (Beaumont, 1993; Dowling and Schuler, 1990; Huang, 2001) have employed Schuler and Jackson’s approach, and this study also adopted their method of classification for analysis.

SHRM integration refers to the involvement of SHRM in the formulation and implementation of organizational strategies and the alignment of SHRM with the strategic needs of a business firm (Schuler and Jackson, 1999) and Buyens and De Vos, 1999) argue that in order for HR to be a strategic partner, HR managers should be involved in strategic decision making alongside other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy (Chadi, 2001).

To create strategic integration and alignment of SHRM with business strategies, a documented HRM strategy would also be useful (Budhwar, 2000; Teo, 2002) A well written documented HRM strategy helps the organization to develop an HRM vision and objectives and to monitor performance. Insurance companies both life and general provide unique financial services to the growth and development of every economy. Such specialized financial services range from the underwriting of risks inherent in
economic entities and the mobilization of large amount of funds through premiums for long term investments (Oluoch, J. O., 2013). The absorption of risk of insurers promotes financial stability and strength in the financial markets and provides a sense of peace to economic entities. The insurance firm’s ability to cover risk in the economy hinges on their capacity to create profit or value for their shareholders. A well-developed and evolved insurance industry is largely depending on its human resources which is a boon for economic development as it provides long-term funds for development (Agibenebo and Ezirim, 2002).

Financial performance is a measure of an organization’s earnings, profits, appreciations in value as evidenced by the rise in the entity’s share price. In insurance, performance is normally expressed in net premiums earned, profitability from underwriting activities, annual turnover, returns on investment and return on equity. These measures can be classified as profit performance measures and investment performance measures. Profit performance includes the profits measured in monetary terms. Simply, it is the difference between the revenues and expenses. These two factors, revenue and expenditure are in turn influenced by firm-specific characteristics, industry features and macroeconomic variables. Investment performance can take two different forms. One, the return on assets employed in the business other than cash, and two, the return on the investment operations of the surplus of cash at various levels earned on operations (Chen and Wong, 2004; Asimakopoulos, Samitas, and Papadogonas, 2009).

2. Strategic Human Resources Management

SHRM has a clear role on creating strategic change and developing the skill base of the firms to ensure that the firms can compete effectively in the future (Holbeche, 2004). SHRM paves the environment for the development of a human capital that meets the needs of business competitive strategy, hence organizational goals and mission will be achieved (Minbaeva, D. B., 2018). Human resource management strategy is an integral part of business strategy. Central focus of this strategy is to achieve organizational objectives (Boxall and Purcell, 2003).

Most organizations have difficulties in achieving their strategic objectives because employees don’t really understand these are or how their jobs contribute to overall organizational performance. Fewer than 50 percent of employees understand their organization’s strategy and the steps that are being taken toward fulfilling the organization’s mission. Further, only 35 percent see the connection between their job performance and their compensation (Schuler, 1992). Strategic Human Resources Management practitioners require not only that the organization’s strategic objectives to be communicated to employees but also there should be a link between employee productivity relative to these objectives – and the organization’s reward system (Schuler, 1992). Organizations that communicate their objectives to employees and tie in
rewards with objectives driven performance have much higher shareholder rates of return than organizations that do not (Schuler, 1992). An important lesson to be learned is that the development of an organization’s strategy is unique to every individual organization (Minbaeva, D. B., 2018).

Professionals of Strategic Human Resource Management need to ensure managerial orientation and training that ensures that human resources are deployed in a manner conducive to the attainment of firm’s goals and mission.

A strategic approach towards HR entails an organization with three critical contributions creates (1) facilitates the development of a high quality workforce through its focus on the types of people and skills needed. (2) it facilitates cost effective utilization of labor particularly in service industries where labor is generally the greatest cost and (3) it facilitates planning, assessment of environmental uncertainty and adaptation to the forces that impaired organization (Singh, A. K., & Sorum, M. (2018).

Initiating a strategic approach to human resource management involves abandoning the mindset and practices of traditional "personnel management" and focusing more of strategic issues than operational issues. Strategic human resource management involves making the function of managing people the most important priority in the organization and integration and integrating all human resource programs and policies within the framework of a company's strategy. Strategic human resource management realizes that people make or break an organization because all decisions made regarding finance, marketing, operations or technology are made by an organization's people.

Then role of strategic human resource management is to develop consistent, aligned collection of practices to facilitate the achievement of the organization’s strategic objectives. It considers the implications of corporate strategy for all HR systems within an organization by translating company objectives into specific people management systems (Cania, L., 2016).

The specific approach and process utilized will vary from organization to organization, but the key concept is consistent; essentially all HR programs and policies are integrated within a larger framework facilitating, in general, the organization’s mission and specifically, its objectives.

The significant demerit of strategic human resource management is that there is no one best way to manage people in any given firm. Even within a given industry HR practices can vary extensively from one firm to another. This point was evident "distinctive human resources are firms’ core competencies", in any organization, a critical prerequisite for success is people management systems that clearly support the organization's mission and strategy (Boon, C., Eckardt, R., Lepak, D. P., & Boselie, P., 2018).

Introducing a strong HR strategy that is clearly linked to the firm’s strategy is not enough. HR strategy needs to be shared communicated, practiced and spelled out and documented. A recent study by global consulting firm PricewaterhouseCoopers found
that those firms with a written HR strategy tend to be more sustainable and profitable than those without one. It appears that documenting organization’s HR strategy helps the process of involvement and buy-in of the parts of both senior executives and other employees. The study found that organizations with a specific written HR strategy had revenues per employee that are 35 percent higher than organization without a written strategy (Purcell, J., Kinnie, N. and Hutchinson S., 2003).

The impact of SHRM practices on organizational performance. This literature is based on resource-based view of the firm with its focus on gaining sustainable competitive advantage by means of efficient utilization of the resources of the company (Paauwe, 2004). Those successful organizations have acquired and utilized valuable, rare, inimitable and non-substitutable human resources (Barney, 1991, 2005; Barney and Wright, 2008). Wright and McMahan (1992) presented the importance of human resources in the creation of competitive advantage, while Wright, McMahan and McWilliams (1994) presented that human resources are a potential source of sustained competitive advantage not all organizations have the ability to systematically develop these through the use of HRM practices. Similarly, Huselid (1995) and Pfeffer (1995) have used the resource-based model as a basis for examining the impact of human resource development on organization is performance. Summarizing, Guthrie (200:181) noted that “the common theme in the literature is an emphasis on utilizing a system of management practices giving employees skills, HR statistics, motivation and latitude and resulting in a staff that is a source of competitive advantage.”

Another SHRM model the one has also universalistic approaches, in which more than one HRM practices are combined (High Performance Works Systems Alcazar et al., 2005). One example is Guthrie (2001), who measured companies’ use of high involvement work practices and found that utilizing these practices can enhance organizational competitiveness. Guest et al. (2003) in their study of HRM in UK companies identified 48 single, HRM practices drawing these primarily from the existing “high-commitment” HRM literature. These items were grouped into “nine main areas of HRM” (Guest et al., 2003: 297) including training and development and appraisal. Initial factor analysis of these nine aggregate HRM practices, “revealed no coherent factors” (p.301). Therefore, to create a measure of the overall human resource system, a measure was derived by combining mean scores across the nine practices.

Guest at all (2003) identified two factors, “employee skills and organizational structures” and “employee motivation”. It was found that these were significantly related to turnover, organizational productivity and financial performance.

SHRM practices are significant on strategy marking in a firm’s understanding (Paauwe, 2004; Marchington & Grugulis, 2004). However, there is a broad consensus that there is a positive conversation between SHRM and organization performance (Tessema & Soeters, 2006; Wright et al., 2005; Bjorkman & Fan, 2002; Singh, 2003a; Bae & Lawler, 2000; Huselid et al., 1997; Harel & Tzafrir, 1999; Huselid & Becker, 1996; Huselid, 1995; Arthur, 1992). Huselid’s (1995) wholesome study enlisted that a set of human resource practices, were strongly related to turnover, accounting profits and
firm market value and market share. Further studies have shown similar positive relationship between SHRM practices and various measures of firm performance such as productivity and quality in various sector such as auto assembly plants (MacDuffie, 1995), firm profits in the bank sector (Delery & Doty, 1996), employee productivity, machine efficiency, and customer relationship and its link with quality manufacturing strategy (Youndt et al., 1996), and profitability (Guthrie, 2001). HRM system an integrated approach builds such overall organizational performance. The review on measurement of organizational outcomes (productivity, quality, market share, sales growth, company growth and service) and capital market outcome (sales growth) is based on Dyer & Reeves’s (1995) and Delaney & Huselid’s (1996) studies.

The accepted SHRM model that, strategic human resource management is “the marking of linkage and integration between the overall strategic aims of firm and the human resource strategy and implementation. In principle, the processes and people within the firm are organization in such a way as to implement the aims of the business strategy and create an integrated approach to managing the various human resource functions, such as selection, training and reward so that they complement each other”.

The Strategic Human Resource Management may bring a number of benefits to the organization:

- Contributing to the goal accomplishment and the survival of the company,
- Supporting and successfully implementing business strategies of the company,
- Creating and maintaining a competitive advantage for the company,
- Improving the responsiveness and innovation potential of the company,
- Increasing the number of feasible strategic options available to the company (Wright, P. M., & Ulrich, M. D., 2017).

The key SHRM functions can build superior organizational achievement, through developing an internally consistent bundles of human resource strategies which are properly linked to business strategies (Wright, P. M., & Ulrich, M. D., 2017).

The relationships among human capital, social capital and human resource, the research model that has been researched in strategic HR and organizational performance is perspective model on human resources behaviors perspective and HR system driven perspective. One of the earlier theoretical models in strategic human resource management is the behavioral perspective (Jackson, Schuler, & Rivera, 1989; Schuler & Jackson, 1987). The behavioral perspective presents that human resource behaviors mediate the relationship between human resource practices and organization performance (Schuler & Jackson, 1987). In this situation, the human resource practices to encourage and/or control human resource attitudes and behaviors. Wright and McMahan (1992) brought that, “in the context of strategic human resource management, different role behaviors needed by firm’s strategy further firms’ needs” human resource management practices to direct and rejuvenate those action planed (Schuler and Jackson (1987, p.303) described the behavioral perspective and found but that different firms strategies require selective human resource practices which can influence the
behaviors of human resources which can critically impact firms organizational performance (Wright & McMahan, 1992).

Further models of studies have tested the relationships between behavioral perspective (McMahan et al., 1999; Wright & McMahan, 1992). Johnson (1996) employees’ reports on training and rewards are positively related to satisfaction of service as reported by customers. Furthermore, human resource practices are positively related to a behaviorally related measure of employee motivation (Wright, McCormick, Sherman, & McMahan, 1999). In a defended test of the behavioral perspective, (Sun, Ayree, & Law (2007) found organizational citizenship behaviors partially mediated the relationship between high performance human resource practices and organization performance (Takeuchi et al., 2007). Also, it is another model found that human capital mediated the relationship between high performance work systems and organization performance. It was also found in another model that social exchange mediated the relationship between high performance work systems and organization performance (Takeuchi et al., 2007).

Another model involves the use of approaches to the development of HR strategies, which are integrated vertically that the business strategy and horizontally with one another. These strategies define intentions and plans related to the overall organizational priorities to more specific actions, such as resourcing, learning and development, reward and employee relations. Strategic HRM focuses on actions that differentiate the firm from its competitors (Purcell, 1999). This model further emphasizes with six areas (Hendry and Pettigrew, 1986) that it has seven meanings:

- a coherent approach to the design and management of personnel;
- systems based on an employment policy and workforce strategy;
- often underpinned by a “philosophy”;
- matching HRM activities and policies to some explicit business strategies,
- seeing the people of the organization as a strategic resource;
- achievement of competitive advantage (Armstrong, 2006).

Strategic HRM brings a clear focus on implementing strategic change and developing the skill base of the firms to ensure that the firms can compete successfully in the future (Holbeche, 2004). SHRM facilitates the development of a human capital that meets the priorities of business competitive strategy, so that firms’ goals and mission will be achieved (Guest, 1987). Strategy of human resource management is an integral part of firms’ business strategy. Central objective of strategy is to achieve organizational objectives. Hence strategy consists of them, is a set of strategic priorities and choices, some of them might be formally planned. It is inevitable that much, if not most, of a firm’s strategy emerges in a stream of action over a period (Boxall and Purcell, 2003).

Daley, D. M., & Vasu, M. L. (2005) brings seven best practices model (i.e. training, participation, employment security, job description, result-oriented appraisal, internal career opportunities, and stocks/profit sharing) application sticky the contribution of SHRM and their effects on company performance among 465 Chinese
companies. The findings showed that training, participation, result-oriented appraisal, and internal career opportunities were identified as key function of SHRM that have positive impact both product/service performance and financial performance (Shipton et al., 2005).

On the other hand, Gooderham et al. (2008) did a similar model of study using a factor analysis of 80 different HRM practices on its relationship with organizational performance among the European firms. The research included aspects like training monitoring, assessment of Human Resource Department, profitability, bonus, performance related pay has statistically proven on significant impact on performance. Also, Gooderham et al. (2008)’s further research indicates that firms that gives more structural training and development create more new products and brings employees higher satisfaction level and had higher sales. Fey et al. (2000) find that non-technical training, high salaries and promotions based on performance, and merit will have a direct positive relationship and impact on firm performance security among the non-managerial employees (Fey et al., 2000).

There is a SHRM model that clarifies about a firm with bundles of HR practices should have a high level of performance, provided it also achieves high levels of fit with its competitive strategy (Richard & Thompson, 1999). Emphasis is given to the importance of bundling SHRM practices and competitive strategy so that they are interrelated and therefore complement and reinforce each other. Implicit in is the idea that practices within bundles are interrelated and internally consistent and has an impact on performance because of multiple practices. Employee performance is a function of both ability and motivation. According to Storey (2007), there are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and non-financial rewards).

The belief of a link between business strategy and the performance of every individual in the organization is central to ‘fit’ or vertical integration. Internal fit advocates bundles of practice, to ensure that organizations gain benefits from implementing a number of complementary practices rather than only a single practice (MacDuffie, 2005). Most models of best fit focus on ways to achieve external fit. The most influential model of external fit is that from Schuler and Jackson (1987) which argues that business performance will improve if their HR practices support their choice of competitive strategy: cost leadership, quality enhancement and innovation. Under this model, organizations need to work out the required employee behaviors to implement a chosen competitive strategy and devise supporting HR practices to enable those behaviors to be encouraged in the workforce. Vertical integration can be explicitly demonstrated through the linking of a business goal to individual objective setting, to the measurement and rewarding of attainment of that business goal. Schuler and Jackson (1987) defined the appropriate HR policies and practices to ‘fit’ the generic strategies of cost reduction, quality enhancement and innovation. The significant difference between the contingency and configurational approach is that these
configurations represent non-linear synergistic effects and high-order interactions that can result in maximum performance (Delery & Doty, 2000).

Wilkinson (2002) note that the key model about configurational perspective is that it seeks to derive an internally consistent set of HR practices that maximize horizontal integration and then link these to alternative strategic configurations in order to maximize vertical integration and therefore organizational performance. Thus, put simply, SHRM according to configuration theorists requires an organization to develop a HR system that achieves both horizontal and vertical integration. The configuration approach contributes to the SHRM debate in recognizing the need for organizations to achieve both vertical and horizontal through their HR practices, so as to contribute to an organization’s competitive advantage and therefore be deemed strategic.

2.1 Strategy
Strategy is defined as a means of actions that a firm intending to respond or anticipation of changes in its external environment, its customers, its competitors. Strategy is the way a firm aims to improve its position vis-a-vis competition—perhaps through low cost service, production or delivery, perhaps by adding better value to the customer, perhaps by achieving sales and service dominance. It is, or ought to be, an organization’s way. Boon, C., Eckardt, R., Lepak, D. P., & Boselie, P. (2018).


Strategy creates the mission and builds the strong cultures to motivate employees for high results (Fernando et al., 2019).

It is the firm’s chosen route to competitive journey, strategy is predominantly a central focus in many situations significantly in highly competitive business sectors where the battle is gained or lost in business (R. M. Ojakuku et al., 2007). Business firms have to make use the attention to the interplay between strategy and structure more relatively for achieving higher firms’ performance (Chandler, A. D., 1990).

2.2 Structure
Organizational structure of a business entity is considered very important for firms’ deployment of a dynamic people Structure (Davenport, 1998, 2000; Hong & Kim, 2002). Structural elements provide designations for interpreting the internal characteristics of an organization. One can mention commonly cited structural dimensions as firm, specialization, standardization, formalization, hierarchical levels, and span of control Daf (1998). Different researchers use specific dimensions depicting on their research focus such as, formalization and centralization have been used in assessing technology-structure relationships (Morton & Hu, 2004). Non availability of well-defined organizational structure and functional structures of a firm derail organizational performance quantitatively (R. M. Ojakaku et al., 2007).
In understanding a model of organization better, it is necessary to look at each of its dimensions, beginning-as most organization discussions to do-with structure. The basic theory underlying structure is simple. Structure divides tasks, functions and then provides coordination. It trades off specialization and integration. It decentralizes and then recentralizes. Organizational structure and functional structure of a firm direct organizational performance both quantitative and qualitative results (R. M. Ojakaku 2007).

2.3 Systems
Systems are defined as firm’s formal and informal procedures and methods that helps the strategy and structure (Peters & Waterman, 1982). Theoretical models assert that the effective human resources system of an organization support, in turn to create a positive impact on facilitating organization’s performance (Herdman, A. O., 2008).

2.4 Staff
A firm is directly linked to the performance of those who work for that business. By the same principal, under-achievement can be a result of organization failures. Because hiring the wrong people or failing to anticipate fluctuations in hiring needs can be costly, it is important that conscious efforts are put into human resource planning (Biles & Holmberg, 1980; Djabatey, 2012). It has also been argued that in order for the enterprise to build and sustain the competitive advantage, proper staffing is critical (Djabatey, 2012). Thus, recruitment and selection have become imperative in organizations because individuals need to be attracted on a timely basis, in sufficient numbers and with appropriate qualifications.

In human resource management, qualified staff is one of the most valuable resources of every organization. The ability of an organization to implement company strategic plan is largely dependent on its ability to recruit, select, place, appraise and develop appropriate employees. So, it’s crucial for firms to exploit proper methods to recruit and retain qualified employees, and nurture, developed and maintain a high level of employees’ morale and motivation among them (Kim, Lee, & Gosain 2005).

Dimensions of staff is mostly considered in one of two ways. At the hard end of the dimensions, elements, appraisals systems, pay scales, formal training programs, At the soft end, it is about staff morale, attitude, motivation and behavior (Herdman, A. O., 2008).

Firms who use people in the best manner best, rapidly shift their executives into positions with proper responsibility though various live support mechanism like assigned mentors, fast-track programs, and carefully articulated opportunities for reaching to top management are of their people management approach.

A firm is directly linked to the performance of those who contribute for that business. In the same manner, under-performance can be a cause of firm’s failures. Whereas recruiting unmatched people or inability to anticipate fluctuations in hiring needs can be expensive therefore it is important that carefull efforts are made into
human resource planning (Biles & Holmberg, 1980; Djabatey, 2012). Similarly, it is argued that in order to build and sustain the competitive advantage, proper staffing is crucial for the organization (Djabatey, 2012). Thus, recruitment and selection have become imperative in the firm because individuals need to be attracted on a timely basis, in sufficient numbers and with appropriate qualifications.

Firms staff as a pool of resources to be nurtured, developed, guarded, and allocated is one of the many ways to turn the “staff” dimension into firms’ performance dimension with management practice (Juilen & Phillips, 2014).

2.5 Skills
Riggio (2009) elaborated that skills development and development assets are important as a subsystem within the many activities of HR functions. It is father highlighted that human resources are the most dynamic element of all resources of any organization (Riggio 2009). Therefore, adequate attention and significance must be paid to train employee skills development and capabilities in the organization. Aamodt (2007) opine that skills training is the preparation of individuals in a firm for a task, job or an occupation by getting specific skills needed. Training is usually inbuilt to the job rather than personal employee development as a wider area of skills and knowledge acquisition than training, it is more career-centered; it focused on developing individuals’ potential rather than immediate skill; it sees personnel as flexible resources which are adjustable to situations. (Armstrong, 2003).

Fernando et al., (2020) argued that up-skilling and developing individuals will have a direct impact to the performance. It was discussed that the organizational productivity and the capabilities always lie with the firm’s specific skills and abilities projected by employees (Becker, 1994; Kwon & Rupp, 2013; Strober, 1990 cited in Fareed et al., 2016; Fernando et al., 2020).

There are two forms of skills and that they are defined as the “general skills” and the “specific skills” (Flamholtz & Lacey, 1981; Barney, 1997; Fernando et al., 2020)

Skills of employees are needed for the implementation of the strategy for competitive advantage (Huselid & Becker, 1995 cited in Fernando et al., 2019). Training enables the implementation of formal processes to instil knowledge and help employees to get the needed skills to satisfactorily carry out their duties. The emphasis on training is drawn to practical skills which is concerned with the adoption and utilization of techniques and processes (Cole, 2005; Okoh, 2005).

2.5.1 Competency Based Model (CBM)
Competency model as a framework is commonly used by many firms in defining the concept of competency concept. Which is a set of skills, related knowledge, attitude and attributes that surface an individual to successfully perform a task or an activity within a particular function or job (UNIDO, 2002).

Application of competency model approach for improving staff skills is a SHRM function that Integrate HR activities. Competencies are taken as a method for many
human resource subsystems (Byham, 2006). Adding human resources processes to desired competencies, firms shape the capabilities of its workforce and achieve desired results. Firms can enhance knowledge capital and skills sets of its workforce. Further, competency-based learning and information can assist to perform individual and organizational analysis, reduce education costs, and improve recruitment practices. Performance management systems improve employee performance and employee developmental processes and deploy its human capital more effectively (Gangani et al., 2006).

McClelland (1976) described “competency” as the characteristics underlying superior performance. Dearth of right skills of people of insurance firms has predominantly been a negative factor of performance and its growth (Robert H. Waterman Thomas J., Peters, 2012).

2.6 Shared Values/Style
Definition of Shared Values: superordinate goals are defined as guiding principles and elementary thoughts whereas a firm’s business a business is built (Peters & Waterman, 1982). This term refers to the degree to which a key management team recognizes and trusts that the company goals (Hoegl, M., & Gemuenden, H. G., 2001), as well as superordinate goals enhance the likelihood of finding good quality solutions in a timely manner that should be organized in a manner that enables the management team to describe in detail what the company strives to achieve (Kramer, M. R., & Porter, M., 2011). Three dimensions are identified here as affecting factors on shared values: Shared beliefs refer to a belief about the overall impact of processes and systems on the organization with regard to its beliefs with employees and managers regarding the benefits of organizational processes and systems. (Amoako-Gyampah & Salam, 2004). It understands that if employees have a shared knowledge of why management plan is being implemented, it is likely to foster trust and cooperation among them that can lead to successful implementation of firm, s plans (Amoako-Gyampah & Salam, 2004). Hence, it is important for managers to be aware early about company plans whether different people of the organization have several opinions about the concept.

2.7 Leadership
Many authors and researchers have defined leadership as a process of influencing others’ commitment for realizing their full potential in achieving a shared vision, with passion and integrity (Ngambi et al., 2010 and Ngambi, 2011), cited in Jeremy et al. (2011). The height of influence is so much so that the members of the team cooperate voluntarily with each other in order to achieve the objectives which the leader has set for each member, as well as for the group. The relationships between the leader and employee, as well as the quality of employees’ performance, are significantly influenced by the leadership style adopted by the leader (Jeremy et al., 2011). It further emphasizes that Leadership style in an organization is one of the factors that play significant role in
enhancing or retarding the interest and commitment of the individuals in the organization (Obiwuru et al., 2011).

Leadership is a critical management skill, involving the ability to direct a group of people towards common goal. Leadership focuses on the development of followers and their needs. Managers exercising transformational leadership style focus on the development of value system of employees, their motivational level and moralities with the development of their skills (Ismail et al., 2009). It basically helps followers to achieve their goals as they work in the organizational setting; it encourages followers to be expressive and adaptive to new and improved practices and changes in the environment (Jayakody, T., & Gamage, P., 2015).

Leadership has a direct cause and effect relationship upon organizations and performance. Leaders determine values, culture, change tolerance and employee motivation. They shape institutional strategies including their execution and effectiveness. Leaders can appear at any level of firm or company and are not (Michael, 2011).

Leadership has a direct cause and effect relationship with firms’ performance leaders determine values, culture, change tolerance and employee motivation to direct organizational performance (Michael, 2011).

McGrath and MacMillan (2000) report that there is significant relationship between leadership style and organizational performance. Effective leadership style is seen as a potent source of firms’ performance and sustained competitive advantage.

2.7.1 Organizational Commitment
From Howard S. Becker (1960), commitments come into being when a person, by making a side bet (a consequence of the person’s participation in social organizations), links extraneous interests with a consistent line of activity. And from the other perspective, Poter (1976) considered commitment as some emotional beggar, but not something about economy input. Allen & Meyer (1984) attributed the Becker’s commitment as “continuance commitment”, while they named the Poter’s commitment as “affective commitment”. Then, as described by Allen and Meyer (1990, 1991), the organizational commitment can be divided into three different dimensions: continuance commitment, affective commitment and normative commitment.

Many researchers have supported the importance of culture for organizational commitment (Li Yueh Chen, 2004). Brewer (1993) suggested that a bureaucratic working environment often results in negative employee commitment, whereas, a supportive working environment results in greater employee commitment and involvement. Li Yueh Chen (2004) studied the relationship between the leadership and organizational commitment moderated by the organization culture. Ulrike de Brentani and Elko J. Kleinschmidt (2004) used the interactions of organization culture and commitment to predicate the corporate performance.

Studies have indicated that there exists relationship between organizational culture and its performance. Magee (2002) in this very point it is argued that
organizational performance is conditional on organizational culture. According to Hellriegel & Slocum (2009), organizational culture can enhance performance in a large scale if it can be understood that a culture sustain organizational performance culture of an organization allows employee to be acquainted with firms’ strategy and special operational direction.

Leadership and organizational performance have been discussed often. Most research showed that leadership style has a significant relation with organizational performance, and different leadership styles may have a positive correlation or negative correlation with the organizational performance, depending on the variables used by researchers (Fu-Jin et al., 2010).

There is significant relationship between leadership styles and organizational performance. Effective leadership style is seen as a potent source of management development and sustained competitive advantage, leadership style helps organization to achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring that employees have the resources needed to get the job done. Sun (2002) compares leadership style with the leadership performance in firms and enterprises, and found that leadership style had a significantly positive correlation with the organizational performance in both schools and enterprises.

Dimensions of organizational culture can be characterized as learning and development, participative decision making, power sharing, support and collaboration, and tolerance of conflicts and risk (Ke & Wei, 2008).

### 2.8 Statistics in HR

This is always an important topic and trend in every part of business and HR is also not far behind. Currently many organizations are looking for metrics or analytics in HR which are not just related to people but also on processes such as recruitment, retention, compensation, succession planning, benefits, training & development; in short analytics is becoming more popular as companies are doing lot of efforts to cultivate and align HCM with core business objectives in order to achieve a competitive fringe benefits (Carlson, K. D., & Kavanagh, M. J., 2011).

HR statistics not only gathering data on HR; instead, it aims to provide understanding into each process by using data to make relevant decisions, improve the processes and operational performance. HR collects enough data on employee’s personal information, compensation, benefits, succession from time to time so it is important to use it properly to interpret the outcome and spots the trends (Carlson, K. D., & Kavanagh, M. J., 2011).

Statistics also used in HR to prepare cost and investment on their talent pool like cost per hire, cost per participation on training, revenue and expense per employee. It provides opportunity for defining strategy for retention and hiring plan. It can also give complete picture of an organizational head counts based on demographics: age, gender, geographical, departmental, qualifications etc. (Bassi, L., 2011).
Big Data in HR refers to the use of the many data sources available in the organization, including those not traditionally thought of in HR; advanced analytic platforms; cloud based services; and visualization tools to evaluate and improve practices including talent acquisition, development, retention, and overall Firms performance. It provides integrating and analyzing internal metrics, external benchmarks. Using these tools, HR department can make use of analytics and forecasting to make smarter and more accurate decisions, better measure inefficiencies and identify management “blind spots” (Charlwood, A., Stuart, M., & Trusson, C., 2017).

By analyzing big data has enabled many companies to both increase revenues by better knowledge and more accurately targeting customers and cut costs through improved business processes (Fitz-Enz, J., & John Mattox, I. I., 2014).

Statistics has attracted the attention of human resource professionals where as they now can analyze mountains of structured and unstructured data to answer important questions regarding workforce efficiency and productivity, the impact of training & development programs on firms performance, predictors of employee attrition, and how to identify potential leaders (Reddy, P. R., & Lakshmikeerthi, P., 2017).

HR statistical process helps to understand, capture and predict the randomness of our world. It explains about spikes of uncertainty or hidden aspects in day-to-day HR processes, like recruitment or succession. Without it, we wouldn't be able to calculate the ROI of HR initiatives. And measures, including customer satisfaction, process effectiveness and employee development, as well as financial performance, employee performance, return on investment giving insides to each process by gathering data to take relevant each decision to improve the processes (Minbaeva, D. B., 2018).

HR statistics correlate business data and people data, which help to establish important connections main purpose of HR analytics is to submit data on the impact the HR department on organization and function in an organization given period.

HR has core functions which can be further improved through applications processes, in analytics. Some of these could be talent acquisition, optimization, performance management training and development, succession planning, attendance management, demographic and work floor management, future ready workforce paying and developing the workforce of the firm. HR analytics play a key role to dig into identify problems and issues pit holes land minds in the current HR positions of the firm and guide the managers to find solutions and gain insights from analytical information available, then make appropriate decisions and take appropriate actions (Welch, J. 2019).

HR analytics use statistical models and other techniques to analyze employee worker-related data, allowing business managers to improve the effectiveness of people-related decision-making and human resources strategy (Minbaeva, D. B., 2018).
2.9 People Strategy

People strategy means a strategy, which are underpinning human resources policies and processes, that an organization develops and implements for managing its people to optimal use (Sparrow, P., & Cooper, C., 2014).

Converting HR policies into action would appear to be absolutely fundamental to the question of whether an organization is delivering in the area of people management; employees have four performance feedback sessions with their manager. (Lynda Gratton and Catherine Truss, 2003)

- the three-dimensional model of people strategy;
- vertical alignment: the alignment between the business goals and the people strategy;
- horizontal alignment: the internal alignment between the set of hr policies making up the people strategy;
- action: the degree to which hr policies are enacted or put into practice, as judged by employee experience and management behavior and values.

2.10 Organizational Performance

Many organizations face a volatile market situation. In order to create and sustain competitive advantage in this type of environment, organizations must continually improve their business performance. Increasingly, organizations are recognising the potential of their human resources as a source of sustained competitive advantage. Linked to this, more and more organisations are relying on measurement approaches, such as workforce scorecards, in order to gain insight into how the human resources in their organisation add value (Iqbal, A., 2019).

The increasing interest in measurement is further stimulated by a growing number of studies that show a positive relationship between human resource management and organizational performance. The relationship between HRM and firm performance has been a hotly debated topic over the last two decades, with the great bulk of the primary scientific research coming from the USA and, to a lesser extent, the United Kingdom. Both organizations and academics are striving to prove that HRM has a positive impact on bottom line productivity. The published research generally reports positive statistical relationships.

In a world in which financial results are measured, a failure to measure human resource policy and practice implementation dooms this to second-class status, oversight, neglect, and potential failure. The feedback from the measurements is essential to refine and further develop implementation ideas as well as to learn how well the practices are actually achieving their intended results (Combs, J., Liu, Y., Hall, A., & Ketchen, D., 2006).

Performance of an organization depends to a large extent on effective operational performance. The operational performance of an organization is a function of people, process and technology. For effective interaction of people with technology and process, the people in the organization have to be competent enough, with the required
knowledge, skill and abilities. Competence of the individual is an important factor that decides operational effectiveness in terms of providing quality products and services within a short time. HRM practices such as selection, training, work environment and performance appraisal may enhance the competence of employees for higher performance (Epetimehin, F. M., 2011).

3. Conclusion

The study was mainly focused on the impact of Strategic Human Resource Management on organizational performance in insurance industry. Based on the summary of findings, the following conclusions were made. Despite of the existence of SHRM practices in insurance companies, the level of SHRM practices is of low extent. This was evident by the study findings which show that, poor implementation of training and development policy, HR policy and processes, low level of employee participation, low level of line managers involvement in strategic planning process, ineffective performances appraisal system and compensation system. Furthermore, insurance firms need to focus on developing and designing on industry driven distinctive competencies, talent management tools.

Study also concludes that there is a positive relationship between SHRM practice and performances of insurance companies. However low level of employee participation in SHRM activities, low level of line manager’s involvement in HR decisions making has impacted on organizational performance of insurance companies. As well as lack of seriousness of using HR data driven statistics causes poor evaluation of SHRM contribution to the insurance companies at large.

The findings of this research will no doubt be useful to HR professionals in the insurance industry in understanding and implementing certain applicable recommendations in their respective companies. The research and development team of insurance companies can make use available research findings to compare their respective insurance company’s current status of SHRM implementation against industry findings and Implement certain applicable industry best practices as new initiatives in their and respective companies.

Also, insurance companies can incorporate SHRM strategies to their new corporate strategies. Low insurance market penetration has to be dealt with seriously through creating value addition by their competent staff where as key SHRM initiatives will play critical role in reaching to the expected level of firm’s performance.

References


