

Strategic Human Resource Management Practices and Organizational Performance: A Case of National Insurance Corporation of Eritrea (NICE)

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Abstract

This study sought to establish the strategic human resource management practices and their effect on perceived organizational performance at the National Insurance Corporation of Eritrea. The research strategy was case study. The study population comprised all the 73 employees at the corporation's headquarters. Self-administered questionnaires and interviews were used to collect primary data. Descriptive statistics were computed to describe the characteristics of the variables in the study. The findings revealed that the corporation had embraced a number of SHRM practices but their systematic implementation was impeded by lack of clear formal policies/guidelines across the corporation and lack of a formal (written down) strategic plan. In addition, there is the problem of inadequate as well as lack of highly qualified personnel – only one employee in the entire corporation had a master's degree and none had undertaken a course in actuarial science, which is insurance-specific; problem of staff mobility as evidenced by the few number of employees with a working experience of between 5-15 years at the corporation. It was also observed that the corporation needed improvement in the areas of motivation and performance management. It is recommended that the management embraces the use of a formal strategic plan; enhance capacity building by utilizing both qualified internal staff as well as external experts; training programs be based on training needs assessment; develop formal policies to guide SHRM practices implementation and institutionalization; appeal to the government through the Commission for Higher Education to introduce a degree course in actuarial science in the order to train insurance experts.

Keywords: Strategic Human Resource Management Practices, Organizational Performance, Capacity Building, Performance Management, Motivation & Decision Making

1.1 Introduction

Human capital is considered to be one of the most important resources of contemporary firms because people possess tacit knowledge which the organization can use to leverage its competitive advantages. This attribute of human capital fulfills the VRIN (valuable, rare, inimitable, and non-substitutable) criteria of a competitive resource as advocated by Barney (1991) thus making strategic management of human resources a central feature of contemporary competitive organizations.

Strategic Human Resource Management (SHRM) implies a managerial orientation that ensures that human resources are utilized in such a way that delivers value to the organization by giving it competitive advantages thus leading to the attainment of organizational goals, vision, and mission (Kiiru, 2015). The notion of SHRM evolved in the 1990s with an amplified prominence on a proactive, integrative and value-driven approach to human resource management that focuses on issues such as the fit between human resource management practices and organizational strategic goals, the incorporation of human resource management in the organizational strategic management, the participation of human resource role in senior management teams, the devolvement of human resource practices to line managers and taking of strategic approach to employee compensation, selection, performance appraisal and the value that is added to the organizational performance by human resource management (HRM) (Arthur, 1994; Huselid, 1995; MacDuffie, 1995; Schuller, 2002; Kiiru, 2015; Begum, 2016).

Strategic Human Resource Management is pivotal in all organizations particularly the public ones where it facilitates those who work in the public service in adapting to the changing role of the government. The need for skills and knowledge in the public service in areas of policy development, management of organizations, public service delivery and tackling economic crises of global magnitude are required more than ever before. Public service leaders around the world are looking for new approaches to inspire integrity, accountability and motivation in public service in order to achieve coherence and coordination between government policies and various interests in a bid to spur effectiveness and efficiency, which are the hallmarks of performance in public entities (Tompkins, 2003; Storey, 2010; Kiiru, 2015).

Globally, the transformation of systems, structures, and processes in public services has been well acknowledged over the past 20 years (Kiiru, 2015). The key rationale of these changes has been to improve the cost-effectiveness, efficiency and performance of public organizations. Government-owned entities have therefore been under immense pressure to follow private sector managerial practices such as performance management, customer orientation, and a heightened strategic focus (Truss, 2008). Truss further observes that improved HRM helps facilitate the acquisition, training and retention of esteemed employees thus serving to improve

organizational cost-effectiveness and creates a performance-driven culture via the adoption of a more strategic HR function. However, the attendant benefits associated with SHRM notwithstanding, the question that begs for an answer is the extent to which public institutions especially in developing countries have employed SHRM practices in their operations.

Therefore, this study is an attempt to explore the SHRM practices at the National Insurance Company of Eritrea (NICE). The choice of this corporation was informed by the fact NICE is well managed by a board of directors and publicly declares its annual statements to internal and external stakeholders. The study employs exploratory research design as many institutes may be characterized by absence of clear management policies as well as lack of formal strategic management of organizations.

Consequently, this research paper seeks to achieve the following objectives:

- i. To explore the SHRM practices adopted by the National Insurance Company of Eritrea.
- ii. To establish the perceived effect of SHRM practices on performance of the National Insurance Company of Eritrea.

1.1.1 Background to the Insurance Industry

The National Insurance Corporation of Eritrea (NICE) is a share company that was formed as an autonomous public enterprise transacting all classes of insurance business through Proclamation No. 20/1992 by the Government of Eritrea which led to the establishment of the Insurance Corporation on 1 May 1992. By this proclamation, NICE became the sole insurance corporation offering a variety of insurance services to both individuals and companies (Rena, 2007).

NICE is a corporate company, which deals with both life and non-life risks. The Corporation's business is restricted to within Eritrea and operates out of three locations: Asmara (headquarters), Massawa and Assab. The corporation currently underwrites life and non-life classes of insurance including: motor, fire, accident, livestock, engineering, marine, and aviation. However, it is reported that majority of its revenue stems from non-life underwriting with motor insurance playing a dominant role (Rena, 2006).

The corporation focuses on good governance as it is managed by the Board of Directors (BoD) comprising seven members. It espouses the core values of transparency and openness of its transactions through annual financial reports to shareholders (in the annual general meetings). It operates within the guidelines of the Board's Charter. In addition, the BoD oversees operations of the corporation in liaison with the standing committees of risk and audit, strategic investment, and adhoc committee for HRM. NICE is regulated by Bank of Eritrea (BoE) (Rena, 2007).

1.1.2 Strategic Human Resources Management Practices

SHRM practices are those decisions and actions which concern the management of employees at all levels in the business, and which are related to the implementation of strategies directed towards sustaining competitive advantage (Dimba, 2010). Even though advancement in the direction of identifying precisely which HR practices are linked with better organizational performance has been unsatisfactory, it is recognized that there are four main areas in which human resources strategies may be developed. These include recruitment, training, compensation, and performance management (Armstrong, 2002; Foot & Hook, 2009).

Pfeffer (2000) opines that a number of HR practices are constantly superior to others and that all organizations ought to adopt them. He further argues that increased utilization of management practices, for instance selective recruitment, incentive pay, employment security, employee participation, performance management, training and promotion from within, results in increased output across organizations. Likewise, Osterman (2004) noted that a number of modern work practices, such as job rotation, job design, total quality management, and quality circles, result in efficiency in organizations. These practices identified by Pfeffer and Osterman are also referred to as high performance work practices, or simply best practices.

Stone (2005) observes that whereas the domain of traditional HRM covers the acquisition, development, reward and motivation, maintenance and turnover of employees; the typical areas of concern in SHRM include HR planning and capability audits, recruitment and selection of employees, skill development and training, career progression, performance appraisal, formulating employment conditions, and compensation and reward regardless of whether the firm is in the public or private sector. In this study, the researchers have focused on four categories of SHRM practices deemed critical to overall performance of the organization: capacity building, performance management, motivation, and involvement in decision making.

1.1.3 Organizational Performance

According to Kaplan & Norton (1996), organizational performance is a complex, multi-dimensional construct that cannot be measured in the short-run by the traditional financial measures such as profit without taking organizational goals into consideration. Pearson and Robinson (2002) argue that the traditional measures of financial performance give inadequate or inaccurate perspective to the status of the business and its ability to keep improving and contend that an organization should relentlessly try to find ways to improve and enhance its qualitative measures. These propositions are supported by Waiganjo, Mukulu & Kahiri (2012) who have argued for a wider performance construct that incorporates aspects of non-financial measures such as effectiveness,

efficiency, quality, and company image.

The Institutional and Organizational Assessment Model (IOA); a framework used for Organization Performance Assessment (OPA), views the performance of an organization as a multidimensional idea, which is a balance between effectiveness, relevance, efficiency, and financial viability of the organization (Kiiru, 2015). The framework also posits that organizational performance should be examined in relation to the organization's motivation, capacity and external environment. Thus, organizational performance should be evaluated using various indicators such as effectiveness, efficiency, customer satisfaction and financial leverage depending on the nature of the organization (IDRC, 2002). The United Nations Development Programme (UNDP, 2010) defines organizational effectiveness as the extent to which a firm achieves its immediate objectives or fulfills its mission and Scott (2003) describes it as a measure of performance against a defined standard.

Organizational efficiency is the optimal transformation of inputs into outputs: accuracy, timeliness and value of service and program delivery, and it's a ratio that reflects a comparison of outputs accomplished, to the costs incurred in accomplishing these goals (UNDP, 2010; Njuguna, 2013). Organizational relevance denotes a firm's ability to gain the support of its priority stakeholders as well as meet their needs in the past, present and future, that is, the extent to which a firm adapts to changing conditions and its environment. It is the firm's ability to innovate and create new and more effective situations as a result of insight and new knowledge (Montalvan, 2002; Njuguna, 2013). Financial viability is the ability of a firm to raise the capital required to meet its operational requirements in the short, medium and long terms as well as financial sustainability (Lusthaus, 2002).

1.2 Statement of the Problem

Bhata and Stephanos (2000) observe that one of the challenges facing public sector performance in Eritrea is entrenched in its human resources' ability to adapt to changing business environment, the degree to which employees identify themselves with the organizational goals (ownership and commitment); the extent to which the employees possess relevant knowledge, skills, and abilities to perform their job tasks competently (competence); the extent to which HR policies and practices are integrated with organizational goals, and the level of employee motivation.

These challenges are linked to the traditional approach of managing human resources which has an emphasis on administrative procedures associated with the Weberian centralized, hierarchical model of public services, where administrative rules are determined by national governments and implemented by public organizations. Such an approach reduces the human resources in public institutions to mere objects of executing organizational policies and strategies dictated from higher levels; to which they had no input consequently undermining their level of ownership, motivation, and ultimately performance (Bhata & Stephanos, 2000; Kamoche, 2003). Lankeu and Maket (2012) argue that modern HRM should involve the use of strategies that will ensure the optimal utilization of people in an organization through competitive recruitment, capacity building through training and development; involvement in decision making, and providing adequate motivation, thus calling for strategic management of human resources to improve their performance.

However, these observations notwithstanding, empirical literature reveals that most studies linking the relationship between SHRM practices and organizational performance have mainly been carried out in developed countries like United Kingdom and United States (Purcell, 2003; Guest, 2003; Marchington & Wilkinson, 2007; Grant, 2008) and mainly in the manufacturing sector. Additionally, very few similar studies have been carried out in the African context (Njuguna, 2013; Kiiru, 2015). Moreover, there is no such study that has been carried out in Eritrea and more specifically, in the insurance sector; and hence the focus of this study in seeking to establish the SHRM practices and their effect on perceived performance of parastatals with specific reference to the National Insurance Corporation of Eritrea.

2.1 Literature Review

2.1.1 Theoretical Literature Review

Various theories have been used to underpin studies on SHRM, which include but not limited to universalistic theory, resource based view theory, contingency theory, and configurational perspective theory (Njuguna, 2013; Kiiru, 2015; Begum, 2016). However, this paper adopts the postulates of universalistic theory which was proposed by Dewar and Werbel (1979) and later rooted for by Delaney, Lewin, and Ichniowski, 1989; Terpstra and Rozell, 1993; Huselid, 1993, 1995; Osterman, 1994; and Pfeffer, 1994).

The universalistic theory posits that some SHRM practices hold across whole populations of organizations; and are constantly better than others and therefore all organizations should assume these best practices. Under a universalistic approach, strategic HR practices are regarded as those found to consistently lead to higher organizational performance. Its proponents contend that developing a set of "High Performance Human Resource Practices" progressively leads to improved organizational performance (Delaney and Huselid, 1996). Moreover, Universalists such as Pfeffer (1995) and Osterman (1994) argue that greater use of "high performance" practices such as participation and empowerment, incentive pay, employment security, promotion from within the firm, and

training and skill development result in higher productivity and profits across organizations. This view is supported by Marchington and Wilkinson (2008) who posit that certain best human resource practices would result in improved organizational performance, manifested through improved worker attitudes and behaviors, decreased levels of turnover and absenteeism, increased skills levels and therefore increased productivity, better quality and efficiency and increased return on investment.

However, although universalistic arguments simply mean that the connection between a given independent variable and a dependent variable is universal across the populace of organizations, it should be acknowledged that what contributes to good results in one organization may not result in equally good results in another organization since it may not fit its plan or strategy, technology or working practices and hence the need to contextualize the study in a bid to examine the effect of SHRM practices on performance in a specific context.

2.1.2 Empirical Review

The postulation that organizational performance is influenced by a set of SHRM practices has been supported by various empirical evidences (Arthur, 1994; Huselid, 1995; MacDuffie, 1995, Gerhart, 2005, 2007; Kiiru, 2015 and Begum, 2016). Modern organizations have continuously become aware of the importance of SHRM and hence the shift from the bureaucratic model of public services where administrative rules are determined by national governments and implemented by public organizations with comparatively minimum scope for strategizing at a local level (Bach & Della Rocca, 2000).

Under the new ways of public management, the traditional HRM approach is seen as a liability, undermining performance and demotivating employees (Bach & Della Rocca, 2000). According to Selden (2005) what were once seen as best practice concepts of employee management, resulting from the private sector such as reducing the costs of employment; employing performance-based rewards system for staff; improving elasticity in order to respond to customer demands; empowering organizations to take strategic decisions in the HRM field; increasing individualization of the employment relationship; and decentralization of decision making have since been promoted as standards that the public sector should emulate.

Empirical evidence on the relationship between HRM and organizational performance suggests that labor productivity and organizational performance are positively related to diverse features of HR management systems such as recruitment and selection (Kochoy McGrath, 1996); training programs (Bartel, 1994); performance evaluation (McDonald and Smith, 1995); compensation and benefits (Gerhart and Trevor, 1996; Gómez-Mejía, 1992); and innovative practices (Delaney and Huselid, 1996; Huselid, 1995).

Similarly, researches by Begum (2016), Kiiru (2015), Njuguna (2013), Barton (2004), Black and Lynch (2001, 2004); Ichniowski *et al.*, (1997); have shown that firms characterized by the use of the Strategic HR practices outperform those that display inflexible HR strategies within the same economic sector. Becker and Gerhart (1996), Boxall and Purcell (2003), and Gerhart (2005; 2007) have made comprehensive reviews of the seminal work on the relationship between HRM practices and firm performance as done by Arthur (1994), MacDuffie (1995), and Ichniowski *et al.* (1997) in manufacturing and by Batt (2002) in the service sector and made similar conclusions.

The findings of various empirical studies seem to converge at the conclusion that human resources represent an asset that can be a source of competitive advantage because they are difficult to duplicate by competing firms and hard to substitute even within the same firm and therefore recommend that SHRM practices should be embraced by organizations in order to be guaranteed of sustainable performance (Huselid, 1995; Huang, 1998; Dimba & K'Obonyo, 2009; Abdulkadir, 2009, Njuguna, 2013; Kiiru, 2015; Begum, 2016).

2.1.3 The Conceptual Framework

The relationship between strategic human resource management practices and performance of organizations is represented through the conceptual framework below;



Figure 2.2 Conceptual Framework
 (Source: Researchers, 2017)

3. Research Methodology

3.1: Research Design

This research was a case study of the National Insurance Corporation of Eritrea since it is the only insurance company in the country. The choice of this corporation was informed by the fact that it is considered as only corporations that declares its annual financial statements and conducts annual general meetings for shareholders in Eritrea. The study employed exploratory research in a bid to establish whether the corporation had adopted SHRM practices. However, since Saunders, Lewis and Thornhill (2007) argue that no single design exists in isolation and further observe that combining different designs in one study enables triangulation and increases the validity of the findings, this study used a combination of other research designs; descriptive, explanatory, and cross-sectional research design (Cooper & Schindler, 2008; Saunders, 2009).

3.1.2 Sampling Design and Procedure

Since this was a case study, a survey was conducted at the headquarters of NICE which is based at Asmara. It was deemed that the responses at the headquarters would mirror those at its two other branches since corporate decisions are made at the headquarters and cascaded to the branches. Since the study population was small (73), a census survey was employed.

3.1.3 Target Population

The target population for this study was seventy three respondents from four departments at the National Insurance Corporation of Eritrea at the headquarters in Asmara. The unit of analysis therefore was the National Insurance Corporation of Eritrea while the units of observation were the departments: The General Manager’s Office, Administration, Technical, and Finance.

Table 3.1: Distribution of the Study Population

| Department | Frequency | Number of Respondents | Percentage |
|--------------------------|-----------|-----------------------|------------|
| General Manager’s office | 1 | 9 | 12.3 |
| Administration | 1 | 18 | 24.7 |
| Technical | 1 | 37 | 50.7 |
| Finance | 1 | 9 | 12.3 |
| Total | 4 | 73 | 100 |

(Source: Field data, 2017)

3.1.4 Data Collection Instruments

This study used questionnaires and interviews to collect primary data. Interviews were conducted with the general manager (CEO), administration and finance managers in order to get their views on the role of SHRM practices in relation to performance. Data from the questionnaires complemented by data from interviews are critical in enabling triangulation.

4. Discussion on the Findings

4.1 Analysis of the Response Rate

The researchers distributed 73 questionnaires out of which 65 were received from the field. This represented an overall successful response rate of 89%. 8 questionnaires representing (11%) were never returned. According to Wimmer and Dominick (2006), a response rate of 21% – 70% is acceptable for self-administered questionnaires. It guarantees accuracy and minimizes bias. Rogelberg and Stanton (2007) assert that when cross-sectional studies of survey design are conducted at the individual level, the expected response rate is 50%. Ibid (2007) further argues that for those studies carried out at the organizational level, the appropriate response rate is between 35 – 40%. Therefore, the above response rate met this criterion hence it was appropriate for this study.

To address issues of possible variance, Cronbach Alpha reliability test was conducted for all the measures and its coefficients fell between 0.68 and 0.77, which is satisfactory for the exploratory study (Nunnally, 1978). The Cronbach Alpha coefficient of the nominal items was 0.878 indicating high reliability of the scales used in the study thus depicting high internal consistency among measurement items.

4.2 Respondents Biographic Information

For brevity and conciseness, Table 4.1 shows the demographic characteristics of the respondents.

Table 4.1: Demographic Profiles of Respondents

| Gender | Frequency | Percentage (%) |
|------------------------------|-----------|----------------|
| Male | 31 | 47.7 |
| Female | 33 | 50.8 |
| Missing | 1 | 1.5 |
| Total | 65 | 100 |
| Age | | |
| Less than 30 years | 19 | 29.2 |
| 31-40 years | 13 | 20.0 |
| 41-50 years | 17 | 26.2 |
| Above 50 years | 15 | 23.1 |
| Missing | 1 | 1.5 |
| Total | 65 | 100 |
| Education level | | |
| Below 12 th grade | 5 | 7.7 |
| 12 th grade | 20 | 30.8 |
| Diploma | 15 | 23.1 |
| Bachelor's degree | 22 | 33.8 |
| Master's degree | 1 | 1.5 |
| Missing | 2 | 3.1 |
| Total | 65 | 100 |
| Department | | |
| Management | 5 | 8.5 |
| Finance | 10 | 16.9 |
| Administration | 17 | 18.6 |
| Technical | 32 | 54.6 |
| Missing | 1 | 1.5 |
| Total | 65 | 100 |
| Experience | | |
| Less than 5 years | 22 | 37.3 |
| 5-10 years | 9 | 15.3 |
| 11-15 years | 4 | 3.4 |
| Above 15 years | 30 | 44.1 |
| Total | 65 | 100 |

Source: (Survey Data, 2017)

The findings in Table 4.1 show the demographic profiles of the respondents and summary statistics of their

distribution across these characteristics. In terms of gender, the respondents were fairly distributed. There were marginally more female respondents(50.8%) than male (47.7%). This shows that gender parity has been achieved in this corporation which is quite commendable. This is consistent with the government’s effort in promoting gender equity in all sectors of the economy.

In terms of age, 19 (29.2%) of the respondents were aged below 30 years while those aged between 31- 40 years were 13 (20.0%). These two age brackets represented 49.2% of the total number of respondents implying that the most active age of employees comprised half of the population involved in this study. 17 respondents were aged 41-50 years representing 26.2% while those aged above 50 years were 15 representing 23.1 %. This is consistent with the public sector career progression practices which lay emphasis on experience and the number of years of service. The age structure of the employees also creates an opportunity for organizations to plan for succession so that younger employees can take over from their older colleagues.

Concerning the level of education, 7.7% (5) had less than 12th grade education, 30.8% (20) had 12th grade education, 23.1% (15) a diploma, 33.8% (22) had a bachelor’s degree while 1.5% (1) had a master’s degree. Whereas it is appreciable that majority of the corporations’ employees have a diploma or degree education, it is of great concern that only one employee has a master’s degree in the entire corporation. Strategic management of contemporary organizations require the top management to have adequate level of education coupled with experience in order to be able to make complex unstructured decisions in a rapidly changing and hypercompetitive business environment.

On experience, 22 (33.8%) of the respondents had experience of less than 5 years, 9 (13.8%) between 5-10 years, 4 (6.2%) between 11-15 years, and 30 (46.2%) over 15 years of experience at the corporation. Whereas, almost half of the respondents had been with the corporation for a long period (above 15 years), there is a concern that the number of those who have worked for the corporation for between 5-15 years is quite low, implying a high turnover rate. It would be instructive for the management to establish the cause of this high turnover and come up with appropriate strategies to encourage continuity. Otherwise, this trend, if not checked will work to the detriment of the organization by denying it the benefits of organizational learning, tacit knowledge and institutional memory.

4.3 Objective 1: To establish the Strategic Human Resource Management (SHRM) Practices at the National Insurance Corporation of Eritrea (NICE).

Four SHRM practices were sampled: capacity building, performance management, motivation, and involvement in decision making. Since this study was exploratory in nature, categorical data were sought with regard to whether the corporation engages in SHRM practices.

4.3.1 Strategic Human Resource Management practice 1: Capacity Building

Table 4.2 shows the results from the respondents on capacity building:

Table 4.2: Capacity Building

| | SHRM Practices | Response | Frequency | Percentage |
|----|--------------------------|-----------------|------------------|-------------------|
| 1. | Training | Yes | 51 | 78.5 |
| | | No | 14 | 21.5 |
| 2. | Seminars | Yes | 32 | 49.2 |
| | | No | 31 | 47.7 |
| 3. | Workshops | Yes | 16 | 24.6 |
| | | No | 48 | 73.8 |
| 4. | Team building Activities | Yes | 47 | 72.3 |
| | | No | 15 | 23.1 |
| 5. | Team Working | Yes | 51 | 78.5 |
| | | No | 13 | 20.0 |
| 6. | Sponsorship/Scholarship | Yes | 44 | 67.7 |
| | | No | 20 | 30.8 |
| 7. | Coaching | Yes | 43 | 66.2 |
| | | No | 20 | 30.8 |
| 8. | Mentoring | Yes | 45 | 69.2 |
| | | No | 18 | 27.7 |

Source: (Survey Data, 2017)

From Table 4.2 above, respondents agreed that majority of the capacity building practices are available at the corporation except for workshops where 73.8% indicated that workshops are not conducted. There was mixed response on the availability of seminars as 49.2% indicated that seminars were conducted while 47.7% indicated that seminars were not conducted. The management ought to ensure harmony in the execution of SHRM practices across all departments.

4.3.1.1 Results from the Interview on Capacity Building

Under this SHRM practice, the researchers sought to find out the policies/guidelines that are in place with regard to capacity building and what adjustments/improvements can be made.

It was reported that NICE used to recruit staff from the market until 2005 when the government started assigning workers to government organizations as part of their requirement for national service. This direct assignment of staff poses some challenges because the required skills-set by the corporation may not be met. The above challenge notwithstanding, it was noted that once personnel are assigned to the corporation, the new staff are taken through an orientation of the corporation for a period of between two weeks to one month in order to have a holistic view of the corporation. After the orientation, they are assigned to various departments which offer on-the-job training consequently acting as a platform for coaching and mentorship.

In order to improve capacity building, the corporation offers continuous training on insurance through experienced internal staff and occasionally invites guest trainers from outside the corporation. Selected staff (especially from the technical department) are sent abroad for short-term training (usually a month) in Kenya at the National Insurance Academy - NIA) and Indian Insurance Academy. Promising and performing employees are also sponsored for long-term training at the Chartered Insurance Institute (CII) for certificate, diploma and advanced diploma programs.

Whereas the aforementioned practices are commendable, a few shortcomings were also brought to the fore: lack of clear capacity building policy (no formalized or written policy), lack of well-designed mentorship programs; in most cases, there is no job description for the employees, no job rotations, no training manuals and the absence of a strategic plan for the corporation.

Concerning institutionalizing capacity building at NICE, it is suggested that a more deliberate approach requires to be embraced. This can be achieved through developing a HR strategic plan as well as the strategic plan for the entire organization. Moreover, training needs ought to be assessed and identified before rolling out training programs. Additionally, there should be continuous evaluation of the effectiveness and efficiency of capacity building programs in order to help achieve corporation's strategic goals.

4.3.2 Strategic Human Resource Management practice 2: Performance Management

Table 4.3 shows the results from the respondents on performance management:

Table 4.3: Performance Management

| | SHRM Practices | Response | Frequency | Percentage |
|----|--|----------|-----------|------------|
| 1. | Performance Appraisals | Yes | 45 | 69.2 |
| | | No | 17 | 26.2 |
| 2. | Setting Organizational Goals | Yes | 54 | 83.1 |
| | | No | 11 | 16.9 |
| 3. | Review of Organizational Goals Achievement | Yes | 49 | 75.4 |
| | | No | 15 | 23.1 |
| 4. | Setting Departmental Targets | Yes | 50 | 76.9 |
| | | No | 14 | 21.5 |
| 5. | Review of Departmental Targets Achievement | Yes | 47 | 72.3 |
| | | No | 17 | 26.2 |
| 6. | Setting Individual Targets | Yes | 31 | 47.7 |
| | | No | 34 | 52.3 |
| 7. | Review of Individual Targets Achievement | Yes | 28 | 43.1 |
| | | No | 37 | 56.9 |

Source: (Survey Data, 2017)

On performance management, respondents indicated that the corporation engages in a number of SHRM practices. However, majority (52.3%) indicated that individual targets were not a common performance management feature with 56.9% also indicating that individual performance reviews were not a feature of the corporation. The almost 50-50% agreement or disagreement on whether individual targets and reviews of individual performance were features of the corporation were as a result of varied responses from different departments. Therefore, there is need for the management to harmonize human resource practices across all the departments in the corporation.

4.3.2.1 Results from the Interview on Performance Management

Under this SHRM practice, the researchers sought to establish the management's view on performance management practices in the corporation, policies/guidelines that are in place with regard to performance appraisals, frequency of performance appraisals and the relationship between performance management and organizational performance.

The interviews revealed that the corporation has not done very well in performance appraisal even though it has made some appreciable efforts. For instance, the corporation has engaged the services of consultants in this endeavor, the management team puts together observations on employees' performance and use it as a basis for

selecting best performers who are in turn rewarded in a number of ways: Every year employees ranging from 1 up to 5 are identified and granted bonuses ranging from 85% to 100% of their salary and sometimes even more. Moreover, workers who are voted as the best performers are considered for sponsorships or scholarships as well as for short term training programs.

Additionally, to promote proper time management, the management uses an attendance register that captures the time-in and time-out which all employees have to fill daily. Moreover, the management doesn't pay any overtime and therefore employees must finish their chores within the working hours and any overtime is at the expense of the worker. There is also a Board of Management Charter that guides the working relationship between the board of management and the workers. There are also various committees and they also have charters.

However, these performance management practices notwithstanding, it was established that performance management has not been institutionalized in the corporation as the work of assessing employees' performance is impeded by a myriad of factors which include but not limited to inadequate qualified personnel to conduct objective performance appraisals; the fact that employees are deployed by the government to institutions or organizations they may not have been interested in and in many occasions, which they do not have the requisite skills or background knowledge and/or training in impedes objective performance assessment; absence of job description owing to labor shortage which forces the corporation to reassign staff duties on a contingency basis. Moreover, supervisor's leniency during performance evaluation, although they are seldom, hampers objectivity thus rendering the practice invalid. It was also revealed that the limited practices of the formal performance evaluation criteria as well as absence of formal performance appraisal guidelines/policies are major bottlenecks to performance management.

4.3.3 Strategic Human Resource Management practice 3: Motivation

Table 4.4 shows the results from the respondents on motivation:

Table 4.4: Motivation

| | SHRM Practices | Response | Frequency | Percentage |
|----|--|----------|-----------|------------|
| 1. | Incentive pay linked to individual performance | Yes | 28 | 43.1 |
| | | No | 36 | 55.4 |
| 2. | Promotion based on academic achievement | Yes | 43 | 66.2 |
| | | No | 22 | 33.8 |
| 3. | Motivation based on individual performance | Yes | 36 | 55.4 |
| | | No | 28 | 43.1 |
| 4. | Verbal commendation | Yes | 26 | 40.0 |
| | | No | 35 | 53.8 |
| 5. | Letters of appreciation | Yes | 19 | 29.2 |
| | | No | 44 | 67.7 |
| 6. | Certificates of Merit | Yes | 31 | 47.7 |
| | | No | 30 | 46.2 |
| 7. | Get-togethers | Yes | 59 | 90.8 |
| | | No | 6 | 9.2 |
| 8. | Gifts during special holidays/ Occasions | Yes | 24 | 36.9 |
| | | No | 39 | 60.0 |

Source: (Survey Data, 2017)

The results of Table 4.4 show that most of the items under motivation received a NO response with 55.4% of the respondents indicating that remuneration is not linked to individual performance, 53.4% indicated that they never receive verbal commendation from their bosses; 67.7% indicated that workers do not receive letters of appreciation; 60% indicated that gifts during special holidays/occasions/anniversaries are never shared. There was ambivalence in terms of whether certificates of merit are given to employees or not with 47.7% indicating that they are issued while 46.2% indicated that they are not issued. This again is a reflection of policy inconsistencies across departments, an issue the management requires to expeditiously address. Generally, the corporation is not doing well in the area of motivation as five (5) out of eight (8) items under motivation were answered in the negative. Motivation is a critical component of employee performance and it is highly recommended that the management addresses this domain if it has to achieve sustainable performance.

4.3.3.1 Results from the Interview on Motivation

Under this SHRM practice, the researchers sought to establish the management's views on the motivation practices in place, policies/guidelines that are in place with regard to motivation, and the design and review of the pay system.

Regarding motivation practices, it was established that the corporation engages in the following: bonuses to well performing employees, salaries are slightly higher than for other corporations or institutions in the country, sponsorship for evening classes and short courses, scholarships for the award of certificate courses, diploma courses, and advanced diploma courses that are offered by the Chartered Insurance Institute, upgrading

qualifications at the College of Business and Economics – Halhale, a fairly good budget for motivation purposes, get-together parties (retreats), and letters of appreciation at the end of the year. Other motivation activities include selling shares to employees, providing children’s facility for working mothers, offering transport for working mothers and children, and membership of workers with the labor union.

Concerning the pay system design and the frequency of review, it was revealed that NICE pay system was taken over from Ethiopian Insurance after independence and was upgraded in 2004. The salary scale/grades puts into consideration merits, experience and the internal (country) market situation. The salary scale is comparable to other highly paying sectors like mining. Salary reviews are conducted after every two years to ensure they reflect the labor market and cost of living.

With regard to promotion of career development, it was established that the opportunities for promotion or career development are few and tight owing to factors such as labor shortage thus making it difficult to release staff for long periods for studies; the challenge of brain drain to limit the number of people going out of the country for studies. Another challenge is the lack of expansion of the insurance industry due to government policies restricting importation of motor vehicles, which are the main sources of insurance cover (currently about 60,000), few industries, and generally very few insurance products offered to the market.

4.3.4 Strategic Human Resource Management practice 4: Involvement in Decision Making

Table 4.5 shows the results from the respondents on involvement in decision making.

Table 4.5: Involvement in Decision Making

| SHRM Practices | Response | Frequency | Percentage |
|--|----------|-----------|------------|
| 1. Employees are consulted regarding corporation’s matters | Yes | 40 | 61.5 |
| | No | 24 | 36.9 |
| 2. Empowerment of workers to make certain decisions | Yes | 34 | 52.3 |
| | No | 27 | 41.5 |
| 3. Involvement in strategic planning | Yes | 32 | 49.2 |
| | No | 31 | 47.7 |
| 4. Involvement in corporation’s problem-solving | Yes | 44 | 67.7 |
| | No | 20 | 30.8 |
| 5. Engagement in new product development | Yes | 46 | 70.8 |
| | No | 18 | 27.7 |

Source: (Survey Data, 2017)

Table 4.5 above shows that the corporation involves the employees in decision making except in strategic planning where opinion was divided at almost 50-50% with some employees (49.2%) indicating that they are involved in strategic planning while 47.7% indicated that they are not involved in strategic planning. This result can be attributed to the fact that the corporation holds strategic planning meetings; some even facilitated by external experts although it has never engaged in formal strategic planning. The interview results further revealed that strategic planning is ad hoc and there is no documented Strategic Plan for the corporation.

4.3.4.1 Results from the Interview on Involvement in Decision Making

Under this SHRM practice, the researchers sought to establish the management’s views on the level of employee involvement in decision making in the corporation through the following practices: development and review of strategic plan, level of centralization or decentralization of decision making, empowerment of employees to make decisions pertaining their respective areas, and involvement of employees in solving organizational problems.

Decision making is divided into structured, semi-structured and unstructured decisions. The supervisors (line managers) make structured or routine decisions, the middle level managers (heads of departments) make semi-structured decisions while the top management (CEO and the Board of Directors) make unstructured decisions. The interview revealed that managers at different levels of the hierarchy are empowered to make decisions touching on their departments.

However, cross-cutting and other critical decisions must be vetoed and approved by the top management.

The interview revealed the following: the corporation doesn’t engage in formalized strategic planning. As a matter of fact, the corporation doesn’t have a strategic plan and consequently there are no strategic plan reviews. The reasons given for the corporation not engaging in strategic planning were that the corporation is the only insurance company in the country and therefore did not have any competitors (danger of monopoly). The management also appeared not to strongly believe in the value of a written down (formal) strategic plan. The danger of the absence of a formal strategic plan which would otherwise focus the organization on short-, medium-, and long-term goals reduces the focus of management to operational or short-term plans.

In terms of empowering employees on decision making, NICE involves senior staff, supervisors and professionals in solving corporation’s problems, for instance, identifying best performing employees for the award of bonuses. Departmental managers are empowered and mandated to perform within defined authority; for example, the technical manager and agents can make independent monetary decisions worth 10 million and 2 million Nakfas respectively. However, monetary decisions worth 500 million Nakfas and above require the

approval of the top management. Currently, there is an independent project team for introducing IT in the corporation's operations. The team completely owns the technology and is working along with three Indian technicians and only consults with the management for clarification on certain pertinent issues that require incorporation in the design of the system. The corporation has also allowed the employees to be unionized and consequently, the labor union is involved in reviewing remuneration and benefits on behalf of employees.

4.4 Objective 2: The Establish the Extent to which SHRM Influences Organizational Performance

Respondents were requested to express their opinions on the relationship between SHRM and organizational performance by using the five-point Likert scale with 1=strongly disagree and 5=strongly agree. Responses on scales 1-3; strongly disagree, disagree, and somewhat agree were coded as indicators of poor performance while responses on scales 4 and 5; agree and strongly agree were coded as indicators of good performance. Table 4.6 below shows the frequencies relating to different measures of performance at NICE.

Table 4.6: SHRM and Perceived Organizational Performance

| | Performance Measure | Response | Frequency | Percentage |
|-----|---|-------------|-----------|-------------|
| 1. | Relevance to corporation's goals | Good | 54 | 83.1 |
| | | Poor | 10 | 15.4 |
| 2. | Linkage to Vision and mission | Good | 53 | 81.5 |
| | | Poor | 11 | 16.8 |
| 3. | Worker's productivity | Good | 49 | 75.4 |
| | | Poor | 16 | 24.6 |
| 4. | Reduction in operation costs (efficiency) | Good | 51 | 78.5 |
| | | Poor | 14 | 21.6 |
| 5. | Attainment of corporation's goals (effectiveness) | Good | 54 | 83.1 |
| | | Poor | 11 | 16.9 |
| 6. | Innovativeness | Good | 43 | 66.2 |
| | | Poor | 22 | 33.8 |
| 7. | Good customer service | Good | 52 | 80 |
| | | Poor | 13 | 20 |
| 8. | Quick response to customer needs | Good | 48 | 73.9 |
| | | Poor | 17 | 26.1 |
| 9. | Employees' competitiveness | Good | 45 | 69.2 |
| | | Poor | 20 | 30.8 |
| 10. | Adaptability to environmental changes | Good | 47 | 72.3 |
| | | Poor | 18 | 27.7 |
| 11. | Profitability | Good | 54 | 83.1 |
| | | Poor | 11 | 16.9 |
| | Overall Performance | Good | 52 | 80 |
| | | Poor | 12 | 18.5 |

Source: (Survey Data, 2017)

Results of Table 4.6 reveal that employees strongly agree that SHRM are critical in enhancing organizational performance as all the measures of organizational performance were highly scored. In the overall performance, 80% of the respondents agreed that SHRM practices are correlated with good organizational performance. Owing to this finding, it is highly recommended that the management comes up with appropriate strategies to institutionalize SHRM practices in its operations for sustainable performance.

4.4.1 Results from the Interviews on Organizational Performance

Under this facet, the researchers sought to establish the management's views on the relationship between SHRM practices and performance of the corporation and whether there were key performance outcomes attributable to SHRM practices.

The interviews revealed that the corporation has performed modestly compared to the peers in the region. The cause of this modest performance was attributed to lack of competition as NICE is the only insurance company in Eritrea. Lack of qualified employees was cited as another factor due to government's policy of assigning graduates from all academic levels to organizations without matching them with their human resources needs. To manage performance, the corporation benchmarks with insurance from the region such as those in Kenya, Ethiopia, Tanzania, and South Sudan; it considers the percentage of the insurance administrative costs as a benchmark in the region which average 15%, 12%, 18% & 35% for Kenya, Ethiopia, Tanzania, and South Sudan respectively. The corporation also makes performance projections on the basis of the profits for the previous years (trend analysis).

5. Summary of the Findings, Conclusions, and Recommendations

This exploratory study revealed the following: the corporation has embraced a number of SHRM practices but they are not being implemented in a systematic manner due to lack of clear formal policies/guidelines on how they are supposed to be implemented across all departments. The corporation has attained gender parity (females (50.8%) and males (47.7%) in terms of placement, which is quite commendable. The corporation doesn't have a formal (written down) strategic plan which could be instrumental in setting corporation-wide performance targets as well as departmental targets and also provide metrics for evaluating organizational performance. Absence of a strategic plan could also be denying the managers the impetus to vigorously implement the SHRM practices.

The corporation requires improvement in the area of motivation as majority of the respondents indicated that most of the practices under motivation are not in place. In addition, there is the problem of inadequate as well as lack of highly qualified personnel; only one employee in the entire corporation had a master's degree. Moreover, there was no employee who had undertaken a course in actuarial science, which is insurance-specific. It was also apparent that there was a problem of staff mobility evidenced by the few number of employees with a working experience of between 5-15 years at the corporation.

5.1 Recommendations

Owing to the findings of this exploratory study, the following recommendations are deemed worthy of consideration:

1. The management should consider the importance of a formal strategic plan because: It clearly spells out the vision and the mission of the corporation as well as its core values; it sets out corporation-wide performance targets as well as departmental targets; it provides metrics against which to evaluate organizational performance; it guides budgeting and resource allocation; it prevents managers from arbitrarily introducing new products or programs that are not in tandem with the corporation's goals/objectives; and it enhances focus, commitment and discipline in the optimal utilization of resources; be they human, financial, or technological in a bid to achieve both short-term and long-term corporate objectives.
2. The Corporation should consider working together with the Eritrean Centre of Organizational Excellence (ERCOE), which can be instrumental in helping out in developing a strategic plan as well as training.
3. Enhance capacity building by utilizing both qualified internal staff as well as external experts to train staff based on training needs assessment.
4. To come up with formal policies on the implementation of SHRM practices in the entire corporation and strategies to institutionalize them.
5. To address the problem of lack of insurance experts, the management of the corporation should consider requesting the government through the the Commission for Higher Education (CHE) to introduce a degree course in actuarial science in the order to train insurance experts.

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