

The Impact of Human Resource Management Practices on Employee's Job Performance: A Study on Insurance Companies in Ampara District

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Abstract

This research investigated the impact of human resource management practices such as compensation, training and development and promotion policies on employees' job performance in Ampara district insurance companies. A total number of 100 questionnaires were distributed to all employees in the insurance companies in the Ampara district. This study used the survey method. Self-administered questionnaires were distributed among the respondents to collect the data. The data that was gathered was presented in graphs and tables to explain the pattern of responses. Results obtained from descriptive, correlations and regression analyses were used for interpretations. This study has indicated that compensation, training and development, and promotion policy have an impact on employee's job performance. Results indicated that compensation showed a positive correlation with job performance, the regression analysis suggests it may not be a significant predictor. Training and development, promotion policy was confirmed to have positive and significantly associated with employee's job performance in insurance companies in Ampara district. This research has shown that the employees who work in the insurance companies in the Ampara district are aware of their human resource management practices impact on employee's job performance. This finding will be useful for insurance companies to increase employee's job performance. This study reveals that human resource management practices are important to the insurance company employees to increase their job performance.

Keywords: Compensation, Training and Development, Promotion Policy, Employee's Job Performance.

Introduction

Human resources management practices play a vital role in achieving the organization's objective. Organizations are designing effective HRM Practices to be more utilization of human resources in order to achieve competitive advantages. Wright and Snell (2001) define the HRM practices as "organizational activities directed at managing the pool of human resource and ensuring that the resources are employed towards the fulfilment of organizational goals". The appropriate use of HRM practices positively influence the level of employer and employee commitment (Purcell, 2003). HRM practices such as, training and development, performance appraisal encourage the employees to work better in order to increase the organizational performance (Snell and Dean, 1992; Pfeffer, 1998).

Job performance is one of the most important variables and has been studied for a long decade. (Motowidlo, 2003) stated that job performance is the total expected value to the organization of distinct behavioural incidences that an individual carries out over a standard period of time. Usually, employees who can perform better will have higher priority in being hired compared to those low performers. This is because organizational effectiveness is usually based on organizational performance which is largely depending on the performance of every single employee in the company (Pushpakumari, 2008). A person's job performance depends on some combination of ability, effort and opportunity (Bernardin and Russell 1998). Baldamas (1951) found that to achieve a high level of performance a person must have both the ability and the motivation to perform effectively.

In simple words, employee job performance is defined as the employee's proficiency (use of technical skill and knowledge) in generating products, services, or outcomes that directly or indirectly contribute to the company's technical core. It is also the issue of employees' effectiveness in performing duties that are formally under their responsibility and contribute to the organization's technical core (Cook, 2008).

These days, the insurance sector is in a competitive state and employees are very important for longer sustainability. This study arises from the need to manage the human resources of insurance companies more effectively. Having a sound job performance in a workforce is important because it helps these companies to obtain benefits of sustainability, productivity and efficiency. Therefore, this research intends to conduct a job performance survey is to find out the factors that impact on that drive employees to perform their best.

Problem Statement

An organization will not function without the contribution of the employees as the employees could lead the organization to a better position in the highly competitive market nowadays. Thus, it is reasonable to explain why employees are viewed as one of the important assets to an organization (Daft and Marcic, 2011). Since employees are so vital to an organization, it is important to understand how the HRM practices can affect their job performance which is directly linked to organization performance.

Since Asian countries are replete with manpower, human resource management needs special attention and care in relevant to gain job performance within the organizations. Also, the growing concern for insurance and social security in Sri Lanka is overwhelming the demand for insurance products. Very limited research work has been done in Sri Lanka with respect to human resource practices and the non-availability of studies in the insurance industry. Although actions have been taken to point out and address the issues concerning the nature of HRM practices and their implementation and utilization in organizations in Sri Lanka are yet to be standardized. Particularly there is no study which has explored the impact of compensation, training and development and promotion policy on this scenario.

Therefore, this study is an attempt to explore the influence of three human resource management practices namely compensation, training and development and promotion policy on job performance. Thus, in this context, this research intends to address the research problem of whether the compensation, training and development and promotion policy impacts employees' job performance in insurance companies in Ampara district.

Research Questions

1. What are the HRM practices are influencing employee's job performance in insurance companies in Ampara district?
2. What is the relationship between HRM practices and employees' job performance in insurance companies in Ampara district?

3. How is the impact of HRM practices on employee job performance in insurance companies in Ampara district?

Research Objectives

1. To determine the HRM practices influencing employees' job performance in insurance companies in Ampara district.
2. To find out the relationship between HRM practices and employee's job performance in insurance companies in Ampara district.
3. To assess the impact of HRM practices on employee's job performance in insurance companies in Ampara district.

Literature Review

Employee job performance is defined as the employee's proficiency (use of technical skill and knowledge) in generating products or services or outcomes that directly or indirectly contribute to the technical core of the company. It is also the issue of employee's effectiveness in performing duties that are formally under their responsibility and contribute to the organization's technical core (Cook, 2008). A person's job performance depends on some combination of ability, effort and opportunity (Bernardin and Russell 1998).

Human Resource Management (HRM) includes the processes and practices necessary to manage human resources (HR) in a management system. This includes compensation, training and development and promotion policy. Research shows that human resource management plays an important role in the development and implementation of organizational strategies. Most studies show that human resource management is important for organizational success (Barney, 1991; Jackson and Schuler, 2000; Pfeffer, 1994).

Compensation

Compensation is output and the benefit that employees receive in the form of pay, wages and also the same rewards like monetary exchange for the employee's to increase the Performance (Holt, 1993). Providing respectable compensation to persons working in an organization has a soothing effect on both employee and organizational performance.

Extra role job performance by the employees is an indicator of positive individual contribution to overall organizational effectiveness. Altarawmneh and AlKilani (2010) state that "employees are motivated when there are financial rewards directly tied to their job performance". Fulmer (2003) investigated the association between compensation and employee's job performance and found a positive association between them. Compensation has a significant correlation with employee's job performance outcomes. Moreover, a significantly positive relationship has been identified by Teseema and Soeters (2006) between compensation practices and employee's job performance.

Training and Development

Research on the relationship between training and development and employee job performance has consistently demonstrated a positive correlation. Numerous studies have investigated this connection, revealing that T and D initiatives enhance employee knowledge, skills, and abilities, leading to improved performance and organizational success.

A review of training and organizational outcomes by Tharenou, Saks, and Moore (2007) found a significant positive relationship between training and employee job performance. The study concluded that training enhances employee competencies, directly contributing to improved performance.

A meta-analysis of 400 studies on training effectiveness by Aguinis and Kraiger (2009) further confirmed the positive impact of training on employee job performance. Kontoghiorghes (2004) explored the impact of training on adaptability and job performance, concluding that training helps employees develop adaptability skills, leading to improved performance in dynamic environments.

Promotion Policy

Some employees like equality at work, some like benefits provided by their jobs, and others are satisfied with the degree to which they have the power to take initiative at their workplace during the job. In this research, we will study the effect or influence of promotion upon employee's job Performance. Getting higher and higher promotion is the ultimate desire of each person working in any sort of organization.

Promotion is a Shifting of the employee to a job of higher significance and higher compensation Lazear, Edward (2000). A significant feature of the career of an employee is promotion which affects other aspects of experience of work. Furthermore, many researchers such as McCausland, Pouliakas, and Theodossiou, (2005) give their opinion that job performance is strongly correlated with promotion opportunities and there is a direct and positive association between promotional opportunities and job performance. Relationship between the HRM practices with employee's job performance are depicted as follows;

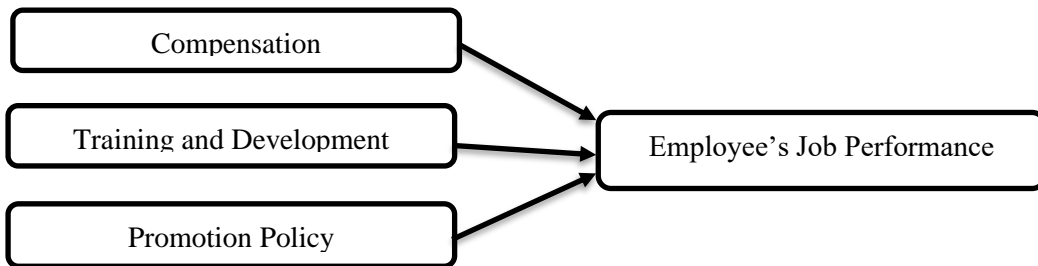


Figure 1: Conceptual Framework

Hypotheses of the Study

H1: Compensation is significantly influencing with the performance of insurance company employees.

H2: Training and development are positive relationship with the performance of insurance company employees.

H3: Promotion policy is significant impact with the performance of insurance company employees.

Research Design

This study applied a quantitative method using a random sampling technique with 100 employees selected from selected Insurance Companies in Ampara District and their responses were obtained through a self-administrated questionnaire. Data were analysed to obtain results of descriptive, correlations and regression for interpretations. This study has indicated that compensation, training and development, and promotion policy have an impact on employee's job performance.

Findings and Discussion

Reliability showed good reliability (Cronbach's Alpha > 0.7) for all constructs. Such as Compensation 0.759, Training and development 0.750 Promotion policy 0.823 and Job performance 0.799. Descriptive Statistics shows above 4.1 mean scores for all variables which indicates positive perceptions as follows;

Table 01: Descriptive Statistics

Variables	Mean	Std. Deviation
Compensation	4.1738	.40705
Training and Development	4.1925	.36731
Promotion Policy	4.1500	.44523
Job Performance	4.2150	.37237

(Source: Survey Data)

Table 02: Correlation Analysis

		Com	T & D	PP	JP
Compensation	Pearson Correlation	1	.631**	.760**	.532**
	Sig. (2-tailed)		.000	.000	.000
	N	100	100	100	100
Training & Development	Pearson Correlation	.631**	1	.701**	.765**
	Sig. (2-tailed)	.000		.000	.000
	N	100	100	100	100
Promotion Policy	Pearson Correlation	.760**	.701**	1	.674**
	Sig. (2-tailed)	.000	.000		.000
	N	100	100	100	100
Job Performance	Pearson Correlation	.532**	.765	.674**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100

** . Correlation is significant at the 0.01 level (2-tailed)

According to the data reported in the above table, the Pearson correlation between compensation and job performance was 0.532. It was indicated that there was a positive relationship. This relationship was statistically significant as the correlation was at 0.01 levels (2-tailed) ($p < 0.01$). Thus, this result supports the first hypothesis (H1) of the study.

The correlation between training and development and job performance was 0.765. It was indicated that the two variables are positively correlated. It was statistically significant at 0.01 levels (2-tailed) ($p < 0.01$). This relationship was significant. Therefore, the second hypothesis (H2) was accepted.

The correlation between promotion policy and job performance was 0.316. It shows that positive relationship between two variables. This relationship was significant. The third hypothesis (H3) was accepted as the statistics show that $p < 0.05$ at 0.01 levels (2-tailed).

Table 03: Result of Regression model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.791 ^a	.626	.615	.23118
a. Predictors: (Constant), Promotion Policy, Training and Development, Compensation b. Dependent Variable: Job Performance				

(Source: Survey Data)

The table shows the R-value is the multiple correlation coefficient which represents all Variables together (R= 0.791). The adjusted R square is 0.615. It explains approximately 61.5% of the variance in job performance has been significantly explained by a 1% change in the combination of three independent variables such as compensation, training and development, and promotion policy.

Table 01: Result of ANOVA in Regression Model

ANOVA^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.597	3	2.866	53.622	.000 ^b
	Residual	5.130	96	.053		
	Total	13.728	99			
a. Predictors: (Constant), Promotion Policy, Training and Development, Compensation						
b. Dependent Variable: Job Performance						

(Source: Survey Data)

The above table shows three predictors: compensation, training and development, promotion policy, and the dependent variable, job performance. The F value 53.622 is significant at the level of 0.000, which is lower than 0.01. This indicates that this regression model is fit to the data.

Table 02: Result of Regression Analysis

R Square = 0.626 Adj. R² = 0.615 F Value = 53.622 Sig F = 0.000					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.907	.282		3.219	.002
Compensation	-.085	.090	-.093	-.947	.346
Training and Development	.602	.091	.593	6.630	.000
Promotion Policy	.275	.089	.329	3.076	.003

Dependent Variable: Job Performance

(Source: Survey Data)

An adjusted R² value of 0.615 indicates that predictor variables for the test have the ability to explain 61.5 percent (61.5%) variation of the dependent variable. Therefore, it can be concluded that this regression model is reasonably fit to the data. Since F value of 53.622 was significant at 0.05 ($p=0.000$), the assumption that linear relationship between the independent and dependent variables is not violated.

The regression coefficient of compensation indicates that it has no significant impact on job performance although there is a positive relationship ($p>0.05$). This result is not supported for the first hypothesis (H1) of the study. However, coefficient of 0.602 of training and development ($p<0.05$) indicates that it has positive and significant influence on job performance. This result is supported for the second hypothesis (H2) Coefficient of 0.275 of promotion policy ($p<0.05$) indicates that it has positive and significant associated with job performance. Therefore, this result is supported for the third Hypothesis (H3) of the study.

Hypotheses Testing

Hypotheses explored the relationship between various HR practices and employee job performance. Hypothesis 1, suggesting a positive impact of compensation on performance, received mixed results. While a positive correlation existed, regression analysis couldn't confirm a significant influence. This suggests compensation might need further examination to understand its nuances.

Both hypotheses 2 and 3 fared better, receiving strong support. Training & development and promotion policy demonstrated positive and significant relationships with job performance in both correlation and regression analyses. This highlights the importance of investing in employee training and development and clear promotion structures for driving performance within insurance companies. While Compensation showed a positive correlation with job performance, the regression analysis suggests it may not be a significant predictor. Training & development and promotion policies were confirmed to have positive and significant impacts on job performance. These findings align with previous research on the importance of compensation, training and development, and clear promotion policies for employee performance.

Conclusions

The major purpose of the present study was to explore the impact of human resource management practices (compensation, training and development, promotion policy) on employee's job performance – A study on insurance companies in the Ampara district. For this study, the researcher hypothesized that there will be a positive and significant correlation between compensation, training and development, promotion policy and job performance of the insurance company employees. The data were analysed with correlation and regression. Correlation results supported all hypotheses. The regression analysis that was performed in the second stage confirmed some of the findings of correlation analysis.

Recommendations

Effective human resource management (HRM) practices are critical in fostering a work environment that motivates employees and optimizes their job performance. This study highlights the positive associations between compensation, training and development, and promotion policy with employee performance within insurance companies in the Ampara district.

To further enhance employee job performance, insurance companies should consider implementing comprehensive compensation strategies that extend beyond base salary. Research by Shaw et al. (2018) suggests that performance-based compensation plans can incentivize employees to exert greater effort and achieve higher performance levels. Additionally, offering competitive salaries and benefits can

contribute to employee satisfaction and retention, which indirectly leads to improved performance, as supported by Fryer et al. (2017).

Investing in well-designed training and development programs is another crucial recommendation. A meta-analysis by Arthur et al. (2003) found that targeted and properly implemented training programs can significantly improve employee skills, knowledge, and job performance. Furthermore, research by Burke and Salas (2017) emphasizes the effectiveness of training programs that focus on developing problem-solving and critical-thinking abilities. Equipping employees with these essential skills can empower them to tackle challenges and contribute more effectively to organizational goals.

Finally, reviewing and revamping promotion policies to ensure fairness, transparency, and merit-based advancement opportunities is essential. Research by Carless et al. (2013) suggests that employees are more motivated to perform well when they perceive promotion policies as just. Additionally, Ruiz-Quintanilla et al. (2018) found that merit-based promotion policies can foster a competitive work environment, driving employees to continuously improve their performance. By implementing these recommendations, insurance companies can create a work environment that fosters employee motivation, engagement, and ultimately, superior job performance.

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