

# Effect of Human Resource Management Practices on Employee Retention and Performance in Nigerian Insurance Industry

Dr. Ernest Jebolise Chukwuka, Nkiru Peace Nwakoby

**Abstract-** This study presents an empirical investigation of the effect of Human Resource Management Practices on Employee Retention and Performance in Nigerian Insurance Industry. This study was motivated by the need to solve the problem of high employee turnover in Nigerian Insurance Industry. Employee turnover is an enemy of productivity and increases cost of running a business. Human Resources (HR) are the most valuable asset of any organization that is why incessant increase in turnover of skillful human resource in an organization will create a gap that will take time to fill at extra cost. This study was guided by two key objectives, from which appropriate research questions and hypotheses were formulated. The specific objectives of this study were: (1) determine the nature of relationship between Human Resource Management Practices and employee retention in Nigerian Insurance Industry, (2) Ascertain the extent of correlation between Human Resource Management Practices and employee performance in Nigerian Insurance Industry. A Sample size of 250 was determined from the population of 785 drawn from Management and staff of selected firms from insurance industry using Taro Yamene's formula. The data collection was by questionnaire structured in five point Likert scale. The study concludes from the result as confirmed by the survey that there was a weak and insignificant effect of HRM practices on employee Retention in Nigerian Insurance Industry. However, the study also confirmed that HRM practices have a positive and significant effect on employee performance. This paper strongly recommends that Government through NAICOM should help to check the high handedness of some insurance firms on their employees. Some of the insurance firms fail to implement Nigerian labour laws and employee work benefits.

**Index Terms** - Employee Retention, Employee performance, Employee Training, Performance Appraisal, Human Resource

Dr. Ernest Jebolise Chukwuka Ph.D., MNIM, CIIN, Department of Business Administration, Michael and Cecilia Ibru University, Agbarha-Otor, Delta state.

Nkiru Peace Nwakoby Ph.D., Entrepreneurial Studies Unit, Nnamdi Azikiwe University, Nigeria

Management Practices, Nigerian Insurance Industry, Motivation.

## I. INTRODUCTION

Human resource management considers people's dimension in management since every organization constitute people, acquiring their services, fine-tuning their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are prerequisites to achieving organizational objectives (Chukwuka 2016). Human resource management (HRM) also refers to the design of formal systems in an organization to ensure the effective and efficient use of human talents to accomplish the organizational goals without sacrificing the needs of the organizational human element, (Mathis and Jackson 2007). An efficient and effective management of human resource in an organization solve the problem of employee turnover. Employee turnover is an enemy of productivity and increases cost of running a business. Human Resources (HR) are the most valuable asset of any organization that is why incessant increase in turnover of skillful human resource in an organization will create a gap that will take time to fill at extra cost. Everywhere around the world, the sole reason of an organization being in business is primarily to achieve its pre-determined objectives. This pre-determined objective can only be achieved when the organizational resources like personnel, machinery, raw materials, capital et cetera are well mobilized and managed. The efficient and effective utilization of these resources, make the difference between well managed and poorly managed organizations Chukwuka (2016). However, it is a proven fact that human resources undoubtedly control the life and the destiny of any business. This is because no, matter how good an organizational policy, programs, goals, views and objectives are; they will eventually be executed by

human beings. To remain in this contemporary world of workplace competition, every organization must be performance and objective driven hence, the need for human resources management (Minner 1982:18). Human resources management is very crucial for effective performance and appraisal which will guarantee enhanced and sustainable employee performance for the achievement of the organizational objectives. Human resource management has evolved through so many stages in history.

#### **A. OBJECTIVES OF THE STUDY**

The main Thrust of this study is to ascertain the effect of human resource management (HRM) practices on employee Retention and performance in Nigerian Insurance Industry. To this end, the study shall attempt to:

1. To determine the nature of relationship between Human Resource Management Practices and employee retention in Nigerian Insurance Industry.
2. To ascertain the extent of correlation between Human Resource Management Practices and employee performance in Nigerian Insurance Industry.

#### **B. RESEARCH QUESTIONS**

In the course of this research, the following questions would be answered:

1. What is the nature of relationship between Human Resource Management Practices and employee retention of Nigerian Insurance industry?
2. What is the extent of correlation between Human Resource Management Practices and employee performance in Nigerian Insurance industry?

#### **Hypothesis one**

H<sub>1</sub>: Human Resource Management Practices in Nigerian Insurance industry have positive relationship with employee retention.

#### **Hypothesis Two**

H<sub>1</sub>: Human Resource Management Practices are positively correlated to employee performance in Nigerian Insurance Industry.

## **II. REVIEW OF LITERATURE**

### **A. Conceptual Review of Human Resource Management Practices, Employee Retention and Performance**

Chukwuka (2016) posits that Human resource management considers people dimension in management since every organization constitute people, acquiring their services, fine-tuning their skills, motivating them to higher levels of performance and ensuring that they continue to maintain their commitment to the organization are prerequisites to achieving organizational objectives. Employee retention is keeping the capable well-performing employees in the organization for a longer period to achieve competitive advantage (Peters & Sheridan, 1988). Allen (2008) defines employee retention as the ability of an organization to retain its key employees.

Employee retention can be represented by a simple statistic (for example, a retention rate of 90% usually indicates that an organization kept 90% of its employees in a given period). However, many scholars consider employee retention as relating to the efforts by which employers attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome (Allen 2008). However, employee retention is multi-dimensional factor of an organization's human resource policies which begins with recruiting the right people in the organization and to stick them with the organization's business portfolio (Freyer, 2014 cited in Madiha et al., 2009 cited in Fatima, 2011 cited in Azeez 2017). Kerr and Slocum (1987) and Kopelman and colleagues (1990) cited in Sheridan (1993) argue that the variation in employee retention across organizations may be related to Organizational culture values. These authors suggested that an organization's cultural values influences its human resource strategies, including selection and placement policies, promotion and development procedures, and reward systems. Different strategies result in psychological climates that foster varying levels of commitment and retention among employees working in different organization.

A distinction should be drawn between low-performing employees and top performers, and efforts to retain

employees should be targeted at valuable, contributing employees.

Frank et al., (2004) cited in Azeez (2017) believe that employee retention is the exertion by a business to keep attractive labourers with a specific end goal to meet business targets.

Employee turnover is a symptom of deeper issues that have not been resolved, which may include low employee morale, absence of a clear career path, lack of recognition, poor employee-manager relationships or many other issues. A lack of satisfaction and commitment to the organization can also cause an employee to withdraw and begin looking for other opportunities. Pay does not always play as large role in inducing turnover as is typically believed (Allen 2008). In a business setting, the objective of employers is usually to decrease employee turnover, thereby decreasing training costs, recruitment costs and loss

of talent and organizational knowledge. By implementing lessons learned from key organizational behaviour concepts, employers can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case. Employers can seek "positive turnover" whereby they aim to maintain only those employees whom they consider to be high performers. Employee turnover is one of the major causes of unproductivity. Any organization that have high turnover of her skillful employees will be unproductive and suffer losses. Every business manager should be concern about how to retain his skillful employee for sustained organizational productivity. (Abelson & Baysinger, 1984; Boudreau & Berger, 1985) cited in Sheridan (1992) suggested that an effective human resource management strategy should balance the cost of replacing the employees who leave against the cost of retaining those who stay since it is generally more expensive to replace highly productive employees than to replace weak performers (Cascio, 1982). A cost-effective human resource management strategy will attempt to minimize turnover among strong performers. However, since all employees will eventually leave an organization, the strategy should induce new employees who perform well to stay longer while encouraging weaker performers to leave at earlier seniority (Peters & Sheridan, 1988). Employee turnover can either be voluntary or involuntary. Voluntary employee turnover

occurs when an employee decides to terminate his work contract with his organization. This happens when an employee chooses to leave the organization. When this happens, the organization loses a valuable employee, his skill and talent which must be replaced. Involuntary turnover refers to a situation where the organization terminates the employment contracts of the employee. This happens due to many reasons such as decline in revenue of the organization, retirement, resizing, restructuring, etc. In most cases, an employee leaving either voluntary or involuntary is not due to a negative relationship with the organization. However, involuntary turnover is unavoidable, where it is a part of business cost and life (Thomas 2009 cited in Azeez 2017).

The review of literature has shown that there is little research evidence on how to solve the problem of employee turnover as well as the workable strategies of employee retention. The following, are employee retention research findings that are backed up with empirical evidence. McEvoy and Cascio's (1995) cited in Sheridan (1993) in their study, adopted survey design as a methodology in meta-analysis of 20 turnover studies indicated that some human resource management practices, such as job enrichment programs, have consistent but only moderate effect ( $C = .17$ ) on employee turnover rates across organizations. Other practices, such as realistic job previews, have very weak ( $C = .09$ ) and inconsistent effects on employee turnover rates. Terborg and Lee (1984) found that the variation in annual turnover rates across organizations was related to local labour market conditions and the demographic characteristics of employees but that organizational climate variables had very weak relationships with employee turnover rates.

McEvoy and Cascio's (1987) meta-analysis of another 24 turnover studies indicated that an organization's stronger performers tend to have lower turnover rates than weaker performers during particular calendar periods ( $r = .28$ ). They found that the strength of the inverse relationship between job performance and employee turnover varied significantly with the length of the calendar period investigated and labour market unemployment rates but reported no moderating effects for organizational variables. Peter and Sheridan (1988) and Barkman, Sheridan, and Peter (1992)

using also the same methodology above indicated from their findings that new employees job performance was significantly related to their retention rates. The difference in the retention rates of strong and weak performers varied widely across organizations, but no human resource management moderating variables were identified

*B. The Practice and challenges of Human Resource Management in Nigerian Insurance industry*

One major problem bedeviling Nigerian Insurance Industry is High employee turnover. The insurance firms operate a conservative agency system that care less about employee motivation and maintenance but solely emphasizes on performance. The concept of Human resource management (HRM) was introduced into the Nigerian literature in 1940 during the colonial era, with industrialization and commercialization, which later became wage employment, Fajana (2011) cited in Chukwuka (2016:8). Ever since then, there has been a tremendous growth of HRM in Nigeria, which in recent years has been characterized by lack of professionalism and specialization. Different reasons have been accounted for, as the challenges facing HRM practices in Nigeria. Some of which are discussed here. The socio-cultural diversity of Nigeria has influenced the HRM practices in Nigeria. Nigeria is characterized by over reliance on culture, language, religion, gender and educational qualification as basis for an average Nigerian to get employed is a factor of the aforementioned variables.

Nigeria is one of the African countries faced by abundant labour and scare talent. Attracting, developing, deploying and retaining best talent had become a challenge, Fajana (2009). That is why Fajana and Ige (2007) argue that the desire for top performance has driven the need for effective management. HRM in Nigeria can be said to be still in infancy and lot of academic research is still required in this area. Lack of indigenous and comprehensive HRM models is one of the challenges facing HRM practices in Nigeria, which is why the majority of principles and practices evidence in workplaces in Nigeria are all adopted from other countries. HRM practices in Nigerian are a convergence with western-inspired approaches, with the evidences of

cultural and institutional influences on it. That is, there is a blend of transplanted and indigenous HRM practices. The sensitivity to individual socialization as well as economic, historical, political, and social contexts according to Azolukwam and Perkins (2009) may enable organizations to capitalize on the potential to transplant forms of HRM from parent country cultures to developing countries such as Nigeria. Nevertheless, most organization is characterized by lack of funding for human resources management research and development. Nigeria's democracy has enhanced the practices of HRM in determining the quota of expatriates she permits. Nigeria's economy allows the importation of new technologies to enhance HRM, but training is still a bit slow, thus employment of expatriates to handle such is still encouraged. In Nigeria, there is application of new management techniques and skills used in the running of the organization, all aimed at running a cost effective system. HRM practices in Nigeria cannot be totally diffused from what is evidence in other countries. However, due to the peculiarity of the social-cultural characteristic of Nigeria, HRM in Nigeria is an area open for further research. Good employer-employee relations are therefore critical to the stable and sustainable development of the Nigerian economy, as well as the world economy as a whole. Several other factors have affected HRM practices in Nigeria namely; lack of the internal manpower to complete all necessary tasks. Secondly, the complexity of today's business climate as a result of deregulation, globalization, and technology advancements has outpaced many companies level for companies to get special projects done without adding employees to the payroll, Olofin and Folawewo (2006). Most organizations in Nigeria now offer a continued education and training to help its people cultivate the right skills and expand their career within a truly global and collaborative workplace. However, in recent time, Nigerian workplaces are introducing different HR ideologies adopted from foreign organizations. For instance, there has been a tremendous increase in level of contract or temporary employment and most of these activities are contracted out to consultants, via outsourcing thereby reducing the number of personnel in its payroll. The implication of this is that organizations are paying lesser for

more work, and at the same time, are losing the psychological attachment, commitment, loyalty of their employees. In Nigeria, organizational control is firmly in the hands of management and the management roles is to effectively manage the number of employees and match them closely with desired goals and objectives. Both the management and the Nigerian government strive to make coherent HR policies that fit closely with overall business strategy. For example, in the oil industry (which is the most organized and highly paid employment sector) the government of Nigeria has made concerted efforts over the last 50 years to promote the participation of indigenous workers in the oil industry.

Regulation 26 of the 1969 petroleum and Drilling Act represent one of government's early efforts to increase Nigerian national oil workers participation in the industry. Recruitment is selectively done in Nigeria, and employees are trained to perform required skills. However, due to the complexities involved in the activities of the oil industries, a lot of skilled expatriate services are required leading to a high level of expatriate employment till date. This is also because most of the oil companies are multinationals, with parent companies in well developed and advanced countries. For most organizations in Nigeria, performance appraisal is a dialogue process and serves as a mentoring process to generally mould the individual to Perform at an optimal level. The employees are allowed to carry out a self evaluation based on engagement and projects they were involved in during the assessment period. It is expected that performance appraisal system should be a fair process involving assessments on skills technical knowledge and how well the employee can offer quality service delivery. However, the lack of skill and know how of the appraiser have made some of the tools and parameter for appraising employee performance appraiser system have pushed indigenous companies in Nigeria to employ expatriate services as trainers, in position requiring special skills and expertise, with which Nigerian workers cannot compete. These supervisors assess the performance and recommend for promotion as the case may be.

### C. EMPLOYEE PERFORMANCE MEASURES

This is often measured by the employee or supervisory rating, but is often subjective and sometimes biased McFarland (1979).

There are also several primary evaluation criteria which include the following most frequently cited ones: Flexibility, Adaptability, Absence of organizational strain, Successful acquisition of scarce and valued resources, Survival, Control over environment, Sense of identity, Capacity to test reality, Optimal balance of integration and differentiation, Open communication, Psychological commitment, Growth, Employee acquisition and retention, Stability, Creativity Societal value, Interpersonal relations, Interdepartmental relations, Cohesion, efficiency and support, Conformity and institutionalization, Simultaneous achievement of high production-centered and high people-centered enterprise, Manpower utilization, Development.

## III. THEORETICAL MODEL REVIEW

### A. *Expectancy Theory of Motivation*

This theory was developed by Vroom (1964), it has to do with what motivates employee to performance. It can also be related to what motivates an organization to attain efficiency and effectiveness in their pursuit of organizational goals. An expectancy approach postulate that's the level of motivation of an employee depends on three basic beliefs: Expectancy refers to the employee's perception of the likelihood or possibility that their efforts will enable them to attain the desirable performance goal instrumentality, on the other hand, performance will be followed by a particular favorable outcome. Valence refers to the value an outcome holds for the employee contemplating it (Ezigbo 2011). The implications of the expectancy theory to managers of organizations are memories in the first instance, the increased expectancy is an enablement for a work environment that facilitates good performance, sets realistic attainable performance, and provides training, support and encouragement to employees. These give them confidence that they can perform at the levels expected of extent be referred to a confidence building theory. This is so because the motivation, which expectation stirred in employees pursues them to action and injects in them the confidence that their performances can enable them to attain higher goals. Also think about the fact that people



want to get out to work, what they will provide and what have not presently obtained but could be obtained in the nearest future encourage high performance. All these therefore, make performance instrumental is positive outcome in an organization (Ezigbo 2011).

**B. Equity Theory by Stacy Adams**

The rule of equity and farness has been introduced in organizational management to ensure that employees rewards are inconsonance with their groups or individual inputs, hence the theory of equity. Weihrich (2008) contends that an important factor in motivation is whether individuals perceive the reward structure as being fair or not. The equity theory which addresses this issue refers to an individual's subjective judgment about the fairness of the reward he or she gets, relative to the inputs in comparison with the rewards of others. The inputs being considered include such factors as effort, experience as well as education. The essential aspect of the equity theory, which McCormick (2006) has received a great deal of credit for its formulation is as follows: Outcome of a person Outcome by another person. This equation shows that there should be a balance of the outcome/inputs relationship for one person in comparison with that of the other person. In the logic of the word, if people fell that they are inequitably rewarded, they may be dissatisfied, and they may reduce the quantity or quality of output, or they may even leave the organization. Also, if people think that the rewards are greater than what is equitable, they may work harder. Finally, if people perceive the reward as equitable they probably will continue at the same level of output (Weihrich ;Cannice and Koontz, 2008: 331). The theory of equity, therefore, emphasizes that reward should be in consonance with individuals or groups inputs in organizational production as that will enhance the organizational performance. (a) Schumpeterian (1942) view on ecopreneurship and environment.

Equity theory of Stacy Adams has been seen by scholars as a good motivational tool for employee, which leads to organizational performance. The rule of equity and farness has been introduced in this study to help organizational management to ensure that employee's rewards are inconsonance with their groups or individual inputs.

Employee's perception of fairness in an organization is a motivation to perform. This study use this theory since the study is based on organizational performance.

**IV. HUMAN RESOURCE  
MANAGEMENT PRACTICES AND  
EMPLOYEE PERFORMANCE  
RELATIONSHIP**

Guest (2002), demonstrates that the Impact of HRM on performance depends upon response of workforce towards HRM practices, so the impact will drift in direction of the perception of employees by practicing. HRM Ghebregiorgis and Karstan (2007), acknowledge that the perceptions of the employees provide broader evaluation of HRM systems. He also evaluated a positive picture of HRM practices including recruitment and selection, training and development and compensation. Qureshi et al (2007), conclude that HR practices are positively correlated with employee's performance.

Huselid (1995) argues that the impact of HRM on behavior of the employees results in the effectiveness of the employees. Patterson et al (1997), explain that HR practices in selection and training effects the performance of the employee provided appropriate skills. Verbeeten (2008), suggests that quality and quantity performance is positively associated with clear and measurable goals; incentives are also positively related with the performance. Medlin & Green (2009), state that goal setting, employee engagement and high level of workplace optimism collectively improves the performance of an individual of an organization. Lyons (2006), explains that involvement of team member in designing of training for team leader improves leader knowledge, skills learning and performance.

**A. RECRUITMENT AND SELECTION AND  
EMPLOYEE'S PERFORMANCE RELATIONSHIP**

Lynch and Smith (2010), Cunningham (1999), recruitment and selection are the initial process to evaluate staff. This is concerned with identification, attraction and selection of the qualified person meeting the job requirements of the organization. It is an important process to carry out otherwise the outcomes inappropriate recruitment and selection is extensive. Qureshi and Ramay (2006), observe that HR

practices are positive relationship with employee's performance whereas selection and training is more affecting the performance rather than other practices.

Chand and Katou (2007), demonstrate that recruitment and selection, part of HRM system is strongly correlated with the profitability and suggests that management of the organization must focus on these HRM practices (recruitment and selection) resulting in an improved organizational profit. Stewart and Carson (1997), suggest that recruitment practices of the organization must be consistent and coherent with Human Resource Management functions like human resource development, pay, benefits and business strategy of the organization. It is identified that in staffing process, job analysis is a prerequisite for all HR planning, development and utilization activities done by the organization as job analysis plays a vital role in staffing because it clearly shows the particular requirement of the job, position in the structure of the organization and human requirements to perform that job.

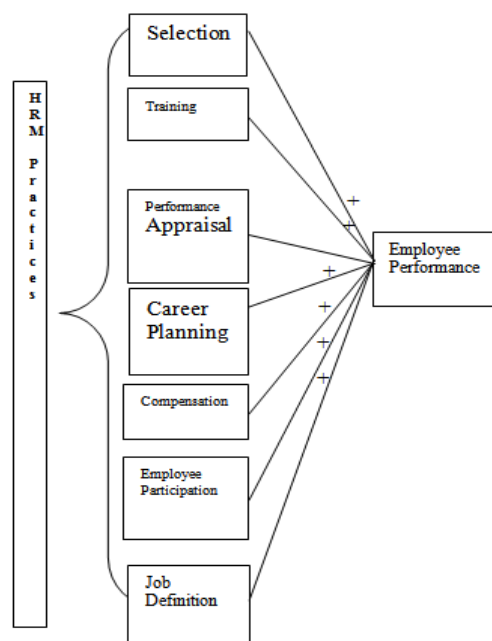
O'Meara and Petzall (2009), discover that questionnaire respondents confirmed that job analysis for the particular task including competence knowledge and experience, undertaken by the HR executives. It is important to consider fit between successful candidate and the organization. Selection criteria are used as basis on the questions asked by selection panel and in interview.

Hsu and Leat (2000,) reveal that line managers was more involved in the final selection decisions than was indicated for the staffing process as a whole.

#### B. TRAINING AND EMPLOYEE'S PERFORMANCE RELATIONSHIP

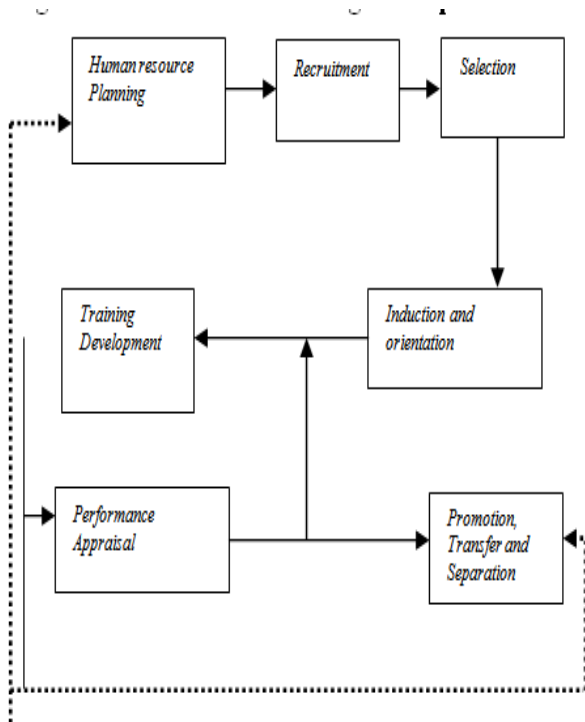
Tzafirir (2005), Employee Training is an important element in producing the human capital. Investing in employee training programs can make employees feel indebted to the company thereby increasing his loyalty. Training is necessary for the employees to perform. Specialized jobs requires specialized skills and knowledge by which the job is much easier to perform as it is in the benefit of the employee. Qureshi et al (2007), conclude that training as an HR practice has a very positive impact on the performance of the employees as there is highly positive correlation is found in the study. Danvila Del Valle et al (2009), posit that training provides employees with the skills, abilities and knowledge required by the

position. This effect can be explained in a way that the organization is interested in investing in training for the employees and giving them confidence and intends to count on them in future, they will make more effort and give their best at their work in an effective way.



**Fig 1. Impact of human Resource Management on performance in Pakistani Telecom sector.**

**Source: Zubar A.M, Tahir M.Q, Muhammed R. (2012) Impact of human Resource Management on performance in Pakistani telecom sector. A Seminar presented at MunhammedAliJinnahUniversityIslamabad.**



**Fig 2. Human resource management process**

**Source:** Telsan, M.A (2007) **Industrial and Business Management**, New Delhi, RejendraRadvindra Printers limited.

### C. HUMAN RESOURCE PLANNING

This is a process that identifies current and future human resource needs for an organization to achieve its goals. Human resources planning should serve as a link between human resources management and the overall strategic plan of an organization.

#### **Recruitment**

This is the process of identifying and hiring the best-qualified candidate (from within or outside of an organization) for a job vacancy, in a most timely and cost effective manner. The purpose of recruitment is to generate qualified candidates from which the organization may choose the most appropriate employees for job opening. It is also the process of identifying the sources of prospective candidates and to stimulate them to apply for jobs Ezigbo (2007:400). She also added that recruitment is the generation of applications or applicants for specific positions. She believed that recruitment is the process of looking for prospective employees and motivating them to apply for jobs in the organization. Sources of recruitment were categorized into internal source and External source, she concluded.

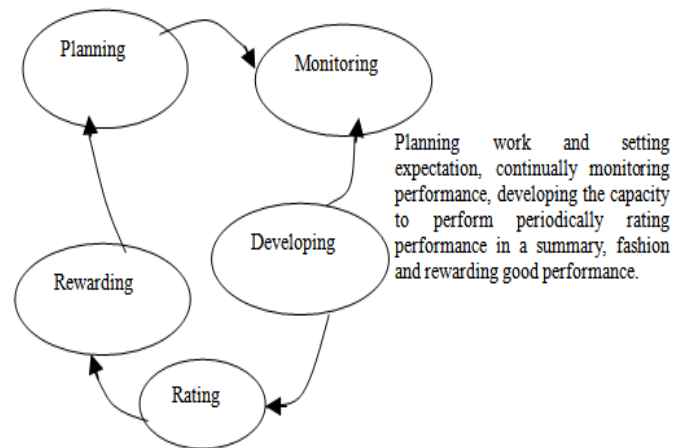
#### **Selection**

Selection is seen as the process by which the organization chooses from among the applicants those whom they feel would best meet the job requirement. The organization evaluates the skills, education, experiences, etc for each candidate, to find the people who would fit the particular job specification.

### **4.10 EMPLOYEE PERFORMANCE MANAGEMENT PROCESS:**

#### **Steps involved in Employee Performance Management.**

Nitschke (1995), posits that performance management is the systematic process by which an agency involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of agency mission and goal.



**Source:** Nitschke (1995) *The Revisions made to the federal government performance appraisal and awards regulations support sound management principle. About.com News letter.*

**Fig. 3 Employee performance management steps**

#### **Monitoring**

Monitoring employees in an organization involves consistently measuring performances and providing ongoing feedback to employees and work groups on their progress toward reaching their goals. Regulatory requirements for monitoring performance includes, conducting process reviews with employees where their performance is compared against their elements and standards, Heathfield (2011). Continuous monitoring provides the opportunity to check how well employees are meeting predetermined standards and to make changes to unrealistic or problematic standards, And by monitoring continually acceptable performance can be identified at any time during the



appraisal period and assistance provided to address such performance rather than wait until the end of the period when summary rating levels are assigned.

### **Developing**

Developing in this instance refers to the increase in the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility, improving work processes or other methods. Providing employees with training and developmental opportunities encourages good performances strengthens job-related skills and competencies and helps employees keep up with changes in the workplace, such as the introduction of new technology. Carrying out the process of performance management provides an excellent opportunity to identify to development needs. During planning and monitoring of work, deficiencies in performance become evident and can be addressed. Areas for improving good performance also stand out and action can be taken to help successful employees improve even further, Nitschke (1995).

### **Rating**

On a periodic basis, organizations must find it useful to summarize employee performance. This can be helpful for looking at and comparing performance over time or among various employees. Organizations need to know who their best performers are. Within the context of formal performance appraisal requirements, rating means evaluating employee or group performance against the elements and standards in an employee's performance plan and assigning a summary rating of record. The rating of record is assigned according to procedures included in the organization appraisal program. It is based on work performed during an entire appraisal period. The rating of record is assigned according to procedures included in the organization appraisal program. It is based on work performed during an entire appraisal period. The rating of record has a bearing on various other personnel actions such as granting within-grade pay increases and determining additional retention service credit in a reduction in force.

It is worthy of note that although, group performance may have an impact on an employee's summary rating. A rating of record is assigned only at an individual not to a group.

### **Rewarding**

Heathfield(2011:70) believes that rewarding refers to recognizing employees, individually and as members of groups, for their performance and acknowledging their contributions to the agency's mission. A basic principle of effective management is that all behavior is controlled by its consequences. These consequences can and should be both formal and informal and both positive and negative. Good performance is recognized without waiting for nominations for formal awards to be solicited. Recognition is an ongoing, natural part of day to day experiences. A lot of the actions that reward good performance like saying thank you - don't require a specific regulatory authority. Nonetheless, awards regulations provide a broad range of forms that more formal rewards can take, such as cash, time off, and many nonmonetary items. The regulations also cover a variety of contributions that can be rewarded from suggestions to group accomplishments.

However, today's employee performance improvement recognizes the "Hygiene factor" fair pay, reasonable benefits, clean and safe working conditions. These are very important in improving employee's performance for the realization of organizational objectives managing performance effectively; In effective organization, managers and employees have been practicing good performance management naturally all their lives, executing each key component process well. Goals are set and work is planned routinely. Progress toward those goals is measured and employees get feedback. High standards are set, but care is also taken to develop the skills needed to reach them. Formal and informal rewards are used to recognize the behavior and results that accomplish the mission. All five components possess working together and supporting each other achieves natural, effective performance management.

### *D. THE NEW ROLES OF HUMAN RESOURCE MANAGEMENT*

**Change Management Courses:** Some industry commentators call the Human Resources function the last bastion of bureaucracy. Traditionally, the role of the Human Resources professional in many organizations has been to serve as the systematizing, policing arm of executive management. Their role was more closely aligned with

personnel and administration functions that were viewed by the organizations as paperwork.

Heathfield (2011), believes that when you consider that the HR function in many companies, comes out of the administration or finance department because hiring employees paying employees, and dealing with benefits were the organizations first HR needs, this is not surprising. She posited that in the new role of change management courses the HR professional's severed executive agenda well, but was frequently viewed as a road block by much of the rest of the organization. Some need for this role remains- you would not want every manager putting his own spin on a sexual harassment policy, for example, nor can every manager interpret and implement the employee handbook as she chooses. Payroll and benefits need administration, even if they are new electronically handled.

In this role, employee regarded HR as the enemy and going to HR was the kiss of death for your ongoing relationship with your own manager. Employees believed, and were often correct, that the HR function was in place solely to serve management. If the HR role in your organization is not transforming itself to align with forward thinking practices, executive leadership must ask HR leaders some tough questions. Today's organizations cannot afford to have a HR department that fails to contribute to and even lead modern thinking. The role of the HR manager, director, or executive must parallel the needs of his or her changing organization. Successful organizations are becoming more adaptive, resilient, quick to change direction and customer-centered. Within this environment, the HR professional, who is considered necessary by managers and executives, is a strategic partner, an employee sponsor or advocate and a change mentor.

#### **Strategic Partner Role**

In today's organizations, to guarantee their viability and ability to contribute, HR managers need to think of themselves as strategic partners. In this responsibility, the HR person contributes to the development of and the accomplishment of the organization wide business plan and objectives.

The HR business objectives are established to support the attainment of the overall strategic business plan and

objectives. The tactical HR representatives are deeply knowledgeable about the design of work systems in which people succeed and contribute.

This strategic partnership impacts HR services such as the design of work position; hiring reward, recognition and strategic pay, performance development and appraisal systems, career and succession planning; and employee development. When HR professionals are aligned with the business, the personnel components of the organization are thought about as a strategic contributor to business success.

#### **Employee Advocate Role**

An employee sponsor or advocate, the HR manager plays an integral role in organizational success via his knowledge about and advocacy of people. This advocacy includes expertise in how to create a work environment in which people will choose to be motivated, contributing, and happy. Fostering effective methods of goals setting, communication and empowerment through responsibility, builds employee ownership of the organization. The HR professional helps establish the organizational culture and climate in which people have the competency, concern and commitment of serve customers well.

In this role, the HR manager as emphasized also by Heathfield (2011), provides overall talent management strategies, employee development opportunities, employee assistance programs gain sharing and profit-sharing strategies, organization development interventions, due process approaches to employee complaints and problem solving, and regularly scheduled communication opportunities.

### **V. METHODOLOGY**

This study adopted the descriptive survey design which allows for the collection of original data from the respondents, describes the present situation and problems in their natural setting and permits a sample representing the population to be drawn. This research design is considered most suitable for the study because it was well suited to the description and correlative nature of study, the questionnaire and oral interview collected quantitative and qualitative data of 265 employees of Three Insurance firms in Nigeria (Management cadre, middle cadre and lower cadre) were

randomly selected. Out of the 265 questionnaires distribute, 250 were returned valid and 5 questionnaires were discarded for incomplete information. The data collected were useful in measuring the variables and testing the specified hypotheses of the study, most of the data generated from the questionnaire survey were ordinal in nature (responses were mainly ratings measured on the Likert scale).

#### A. Discussion and Result

A total of two hundred and sixty five questionnaires were distributed to the randomly selected three Insurance firms in Nigeria. A total of Two hundred and fifty were returned completed. Five copies were invalidated for incomplete information.

### ANALYSIS FROM THE QUESTIONNAIRE

**Table 1: Descriptive statistics on the effect of Human Resource management practices on employee Retention and Performance (N=250)**

Variables		SD	D	UND	A	SA	Mean	Standard	Variance
	Respondents	1	2	0	3	4	Statistics	Deviation	
A1	250	10	80	10	100	50	1.80	287	1.98
A2	250	100	135	5	10		3.30	0.73	0.53
A3	250	100	50	10	80	10	1.36	2.48	1.23
A4	250	90	155	5			3.30	0.67	0.45
A5	250	100	140	8	2		3.30	0.78	0.61
B1	250				175	75	3.30	0.46	0.21
B2	250				175	75	3.30	0.46	0.21
B3	250		2	6	163	79	3.24	0.70	0.48
B4	250				150	100	3.40	0.49	0.24
B5	250		2	4	144	100	3.34	0.66	0.43

#### B. TEST OF HYPOTHESIS

In testing the hypothesis, we employed the Pearson product moment coefficient or correlation to test the strength of association.

#### DECISION RULE:



# Effect of Human Resource Management Practices on Employee Retention and Performance in Nigerian Insurance Industry

However, for our guide, Pearson product moment Coefficient, is the statistical tool and are stated below (Oyesiku, 1995) :

When  $r > 0.70$  very strong relationship

$0.50 \leq r < 0.70$  strong relationship

$0.20 \leq r < 0.50$  moderate relationship

$0.10 \leq r < 0.20$  weak relationship

$R \leq 0.10$  no or negative relationship

## HYPOTHESIS ONE

$H_1$ : Human Resource Management Practices have a significant and positive relationship with employee Retention.

Table 2.

	HRM Practices (X)	Employee Retention (y)	Xy	X <sup>2</sup>	Y <sup>2</sup>
Strongly disagree	10	100	1000	100	10,000
Disagree	80	50	4000	6,400	2500
Un-decided	10	10	100	100	100
Agree	100	80	8000	10,000	6400
Strongly agree	50	10	500	2500	100
Total	250	250	13,600	19,100	19,100

$$\begin{aligned}
 r_{xy} &= \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum x)^2) (n \sum y^2 - (\sum y)^2)}} \\
 r_{xy} &= \frac{(13600) - (250)(250)}{\sqrt{(19100) - (250)^2 \times (19100) - (250)^2}} \\
 &= \frac{68,000 - 62,500}{\sqrt{(95,500) - (62,500) \times (95,500) - (62,500)}} \\
 &= \frac{5500}{\sqrt{(3,3000) \times (33000)}} \\
 &= \frac{5500}{(181.7)(181.7)} \\
 &= \frac{5500}{33015} \\
 r &= 0.17
 \end{aligned}$$

**DECISION:** Since the result above ( $r = 0.17$ ) shows a very weak relationship between Human Resource Management Practices and employee retention in Nigerian Insurance Industry. Therefore according to our decision rule, we accept the null hypothesis ( $H_0$ ) and reject alternative hypothesis ( $H_1$ )

**Interpretation:** From the above calculation, the relationship between Human Resource Management Practices and employee retention is a very weak one at co-efficient of  $r=0.17$  and thus HRM practices in Nigerian Insurance Industry has a very weak effect on employee retention. This result has confirmed the field survey.

## HYPOTHESIS TWO

H<sub>1</sub>: Human Resource Management Practices are positively correlated with employee performance.

Table 3

	HRM practices (X)	Employee performance (y)	Xy	X <sup>2</sup>	Y <sup>2</sup>
Strangle disagree	0	0	0	0	0
Disagree	0	2	0	0	4
Un-decided	0	4	0	0	16
Agree	175	144	25,200	30625	20736
Strongly agree	75	100	7500	5625	10,000
Total	250	250	32700	36250	30756

$$\begin{aligned}
 r_{xy} &= \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \times \sqrt{n \sum y^2 - (\sum y)^2}} \\
 r_{xy} &= \frac{5(32700) - (250)(250)}{\sqrt{5(36250) - (250)^2} \times \sqrt{5(30756) - (250)^2}} \\
 &= \frac{(181250) - (62500)}{\sqrt{163500 - 62500} \times \sqrt{153780 - 62500}} \\
 &= \frac{101000}{\sqrt{(118,750) \times (91280)}} \\
 &= \frac{101000}{(344.60)(302.13)} \\
 &= \frac{101000}{104114} \\
 &= 0.97
 \end{aligned}$$

**DECISION:** Since the result ( $r = 0.97$ ) shows a very strong positive correlation between HRM Practices and employee performance, therefore, according to our decision rule, we accept the alternative hypothesis (H<sub>1</sub>) and reject the null hypothesis (H<sub>0</sub>).

## INTERPRETATION

From the above calculation, the HRM Practices have positive and significant correlation with employee performance at a correlation co-efficient of 0.97. The result has confirmed the association as revealed by the field survey.

Table 4.7, shows data from respondents A1 and A2 questionnaire responses were used. The rate of responses

posted in each of the questions gave further credence to our conclusion as follows: HRM Practices have a very strong positive relationship on employee retention in my organization. 4% strongly disagree, 32% disagree, 4% were undecided, 40% agreed and 20% strongly agreed.

The rate of Employee retention in my organization is high and positively correlated with my organizations profitability. Strongly agree 40%, Disagree 20% undecided 4%, Agree 32% and strongly agree 4%. These observations have revealed the weak and insignificant effect of HRM practices in Nigerian Insurance Industry.

**The second objective which is:** to ascertain the extent of correlation between HRM Practice and employee performance in Nigerian Insurance Industry.

To further test the validity, credibility and suitability of our results, we used B1 and B5 responses in table 4.7. To confirm the consistency of the response observed, the rate of responses posted in each question gave further credence to our conclusion as follows, B1: HRM Practices has a significant and positive correlations with employee performance in my organization, strongly disagree, disagree and undecided had 0% while Agree 70%, strongly agree = 30% responses.

B5 Employee performance in my organization has improved as a result of an effective and efficient HRM Practices. Strongly disagree 0%, disagree 0.8%, undecided 1.6% Agree 57.6%, and strongly agree 40%

## C. CONCLUSIONS AND CONTRIBUTION TO KNOWLEDGE



It is an established fact that this study highlighted and revealed the nature of relationship or effect of human resources management practices peculiar to Nigerian Insurance industry with employee retention and performance. This study has brought to the fore the nature of effects or relationship between human resource management practices, employee retention and performance as well as the responses of employees to human resources management practices in Nigerian insurance industry thereby contributing to the existing body of knowledge. Most other literature reviewed is suggestive with their findings but this paper is assertive based on empirical evidence. HRM practices in Nigerian Insurance Industry have a weak effect and insignificant relationship with Employee Retention. However, the study also concluded that HRM practices have a positive relationship with Employee Performance.

In the course of reviewing the related literature of this study, it was discovered that there was paucity of research on the effect of human resource management practices on employee retention and performance in Nigerian insurance industry. This aforementioned fact underscores the relevance of this paper. It's a very good attempt in extending the frontiers of the existing body of knowledge and as such, a leading attempt in Nigerian insurance industry. This is a gap in literature that this study had filled.

## VI. RECOMMENDATIONS

Based on the findings of this study the following recommendations are marshaled out.

- For Employee Retention in Nigerian Insurance Industry to improve to a level that will lead to increase employee productivity, the conservative agency system need to be reviewed and employees motivated and maintained. .
- Government through NAICOM should help to check the high handedness of some insurance firms on their employees. Some of the insurance firms fail to implement Nigerian labour laws and employee work benefits

## VII. SUGGESTED AREA FOR FURTHER STUDIES

This study has only confined it self on five human resource management practices peculiar to Nigerian insurance

Industry, which includes employee procurement, Employee performance appraisal, Employee Training, Compensation and Employee Motivation. The other human resources management practices need to be studied.

## REFERENCES

- [1] Allen, D. G. (2008) Retaining Talent.
- [2] <http://www.shrm.org/about/foundation/research/documents/retainimg%20talent%20final.pdf>. (Retrieved, August 17, 2017).
- [3] Asika, N. (1991), *Research Methodology in the Behavioural sciences*, Lagos: Longman Nigeria Plc.
- [4] Armstrong, and Borno, (2005), *Organizational Behaviour* Lagos. Longman Nigerian Plc
- [5] Azeez S.A (2017) Human Resource Management Practices and employee retention: A review of Literature. *Journal of Economics, Management and Trade*. 18(2) 1-10.
- [6] Becker, B. and Huselid M. (1998). 'High Performance Work Systems and firm performance: A synthesis of research and managerial implications'. *Research in Personnel and Human Resource Management*. 16: 53-101
- [7] Chukwuka Ernest J. (2016) Effect of Human Resource Management practices on employee performance in Nigerian Public Service. *Lambert Academic Publishers*, 1(1): 1-7.
- [8] Collins, C. Ericksen J, Allen, M. (2005), 'Human Resource Management Practices and firm performance in small business'. Pp 10 Cornell University/gevity Institute.
- [9] Cooke, F. L. (2000), 'Human Resource Strategy to improve Organizational Performance: A route for British firms'. Working Paper No 9 EWEREC, Manchester School of Management.
- [10] Datta, K. Guthrie J, Wright P. (2003), 'HRM and Firm productivity: Does industry matter'. Presented in National Academy of Management Meetings, WA.
- [11] Donnelly, J.H., Gibson, J.L., and Ivancovich, J.M., (1992), *Fundamentals of Management* (8<sup>th</sup> edition) U.S.A. Von Hottman press Inc.
- [12] Drucker, P.F. (1961), *The practice of Management*, London, Heinemann Publication (3<sup>rd</sup> edition).
- [13] Ezigbo, C.A. (2011), *Advanced Management Theory and Application* (3<sup>rd</sup> edition). Immaculate Publications Limited, Enugu.
- [14] Franco, W. and Wilkes (2003), *International, management*, New York. McGraw –Hill Book Company. Company
- [15] French W. (1974) *The personnel management process*. Houghton Mifflin publishing company.
- [16] Guest, D. (2002), 'Human Resource Management, Corporate Performance and Employee wellbeing: Building the worker into HRM'. *The Journal of Industrial Relations* 44:3 335-358.
- [17] Heathfield, S. (2011), *New roles of HRM*, About.com News letter.
- [18] Heathfield, S. (2006), *Performance Management Checklist*, Mamma free News letter.
- [19] Huselid, M. (1995), 'The Impact of human resource management practices on turnover, productivity, and corporate financial performance'. *Academy of Management journal* 38: 3 635-670
- [20] Hsu, Y.R. and Leat, M. (2000), A study of HRM and recruitment and selection [policies and practices turnover productivity and corporation international Journal.
- [21] Ichniowski, C, Shaw K, Prennushi G. (1995), 'The effects of Human Resource Management Practices on Productivity'. National Bureau of Economic Research Working Paper no 5333.

- [22] Industrial Analysis report published by Pakistan's telecom authority and its Website 'www.pta.gov.pk.
- [23] Jayawarng, D. Wilson, A., McPherson, A. (2007), Training commitment and performance in many factoring SMES, journal of small business and enterprise development, vol. 14, No.2, Pp.321-338.
- [24] Kelly, O.K, Angela Ang Y.S., Chong L. W. Hua, W. (2008), Teacher appraisal and its outcomes in Singapore primary schools, journal of educational administration vol. 46, No.1, pp 39-54.
- [25] Ikejiani, M.C cited in Onoucha, J.I and Ozioko J.O (1995), Contemporary issues in social science, Enugu: Aceena publishers.
- [26] Johnee, O.O. (2003), Human resources Management Ijebu-Ode, Pius Debo (Nig.) press.
- [27] McEvoy, G.M., & Cascio, W.F. (1985) Strategies for reducing employee turnover: A meta-analysis. Journal of applied Psychology, 70:342-353.
- [28] Minner, John B. (1982), The Challenges of managing, Philadelphia, W.B Sounded.
- [29] Moynihan, L. (2003), 'The Impact of HR practices on the performance of business units'. Human Resource Management Journal 13:3 21-36.
- [30] Nitschke, R. (1995), *the Revisions made to the Federal Government performance Appraisal and Awards Regulation support sound Management principles* about. com. News letter.
- [31] Okpata, F.O. (2010), *Inefficient Public Bureaucracy: An imperative for public service reforms in Nigeria* Nigerian journal of management research.
- [32] Okpata, F.O. (2010), *Inefficient public Bureaucracy: An imperative for public service reforms in Nigeria*. Nigerian journal of management researcher.
- [33] Omeara, B., and Petzall, S. (2009), selection criteria, skill sets and competencies, international journal of educational management vol. 23, No.3, pp. 252-265
- [34] Obikoya, J.O. (2003), *Personnel Management*, Ijebu-Ode, Picks Debo(Wig) Press.
- [35] Qureshi, M. Tahir & Ramay I. Mohammad (2006), 'Impact of Human Resource Management Practices on Organizational Performance in Pakistan'. Muhammad Ali Jinnah University Islamabad.
- [36] Sheridan J.E. (1992) Organizational Culture and Employee Retention. The Academy of Management Journal: 35(5): pp.1036-1056.
- [37] Singh, K. (2004), 'Impact of HR practices on perceived firm performance in India'. Asia pacific Journal of Human Resources 42:3 301-317
- [38] Sels, L, Winne S, Maes J, Delmotte J, Faems D and Forrier A (2006). 'Unraveling the HRM -Performance Link: Value -Creating and Cost-Increasing Effects of Small Business HRM' Journal of Management Studies 43:2 319-342
- [39] Summers J, Hyman J (2005), 'Employee Participation and Company Performance'. Joseph Rowntree Foundation pp 90 (10)
- [40] Telsang, M.T. (2007), *Industrial and Business Management*, New Delhi, Regendra Ravindra Printers limited.
- [41] Tola, A.O. (2007), *Performance Management: Practice Approach*, Ibadan, University Press.
- [42] Ulrich, D. (1996), *Human Resource Champions*. The next agenda for adding value and delivering results. Boston mass; Harvard Business school press.
- [43] Ubedal, C, and Almada Santos C.F. (2007), staff development and performance appraisal is a brazilian research centre, European journal of innovation management, Vol. 10, No1. pp109, 125.
- [44] Verbeeten, H.M. Frank (2008), "performance management practices in public sector organization; impact on performance accounting auditing and accountability journal vol, 21, No.3 PP, 427-125.
- [45] Wood, S. (1999), 'Human Resource Management and Performance'. International Journal of Management Reviews 1: 4 367-413
- [46] Wright, P. Gardener T, Moynihan L. (2003), 'The Impact of HR practices on the performance of business units'. Human Resource Management Journal 13:3 21-3
- [47] Weihrich, H, M.V. Cannice, H Koontz (2008) *Management, A global and entrepreneurial perspective (12<sup>th</sup> Edition)* Tata McGraw -Hill publishing company Limited.
- [48] William, B, Werther Jr, Davis K. (1996), 'Human Resource and Personnel Management'. Page 316-317, 5th ed McGraw-hill Inc.
- [49] Wood, S. (1999), 'Human Resource Management and Performance'. International Journal of Management Reviews 1: 4 367-413 Wright P, Gardener T,



**Dr. Ernest Jebolise CHUKWUKA** graduated top of his class from the prestigious University of Nigeria Nsukka with a Bachelor's degree in Management. He later got his Master's (M.Sc.) in Human Resource Management degree from the same University. His dogged quest for academic excellence made him to register for a Ph.D. program. He bagged his Ph.D. Strategic Management from the same University in 2017. He is a Strategic Management consultant with expertise in Human Resource Management, Business Development and Strategy, Project Management, Risk management and Sustainability Entrepreneurship. He has many scientific research Publications in peer review international journals and three bestselling books. He was a Branch/Agency manager of an International Insurance Company, African Alliance Insurance PLC Asaba, Nigeria. He is currently a Lecturer in the Department of Business Administration, Michael and Cecilia Ibru University, Delta State, Nigeria.