

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

Muriithi Gituma¹

¹ University of South Africa

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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.

Index terms— strategic human resource management practices, organizational performance, capacity building, performance management,

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

2 A) BACKGROUND TO THE INSURANCE INDUSTRY

41 evolved in the 1990s with an amplified prominence on a proactive, integrative and value-driven approach to human
42 resource management that focuses on issues such as the fit between human resource management practices
43 and organizational strategic goals, the incorporation of human resource management in the organizational
44 strategic management, the participation of human resource role in senior management teams, the devolvement
45 of human resource practices to line managers and taking of strategic approach to employee compensation,
46 selection, performance appraisal and the value that is added to the organizational performance by human resource
47 management (HRM) (Arthur, 1994; Huselid, 1995; Duffie, 1995; Chuller, 2002; Kiiru, 2015; Begum, 2016).

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

56 Globally, the transformation of systems, structures, and processes in public services has been well acknowledged
57 over the past 20 years (Kiiru, 2015).

58 The key rationale of these changes has been to improve the cost-effectiveness, efficiency and performance
59 of public organizations. Government-owned entities have therefore been under immense pressure to follow
60 private sector managerial practices such as performance management, customer orientation, and a heightened
61 strategic focus (Truss, 2008). Truss further observes that improved HRM helps facilitate the acquisition, training
62 and retention of esteemed employees thus serving to improve organizational cost-effectiveness and creates a
63 performance-driven culture via the adoption of a more strategic HR function. However, the attendant benefits
64 associated with SHRM notwithstanding, the question that begs for an answer is the extent to which public
65 institutions especially in developing countries have employed SHRM practices in their operations.

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

71 Consequently, this research paper seeks to achieve the following objectives: i. To explore the SHRM practices
72 adopted by the National Insurance Company of Eritrea. ii. To establish the perceived effect of SHRM practices
73 on performance of the National Insurance Company of Eritrea.

74 2 a) Background to the Insurance Industry

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

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

85 The corporation focuses on good governance as it is managed by the Board of Directors (BoD) comprising
86 seven members. It espouses the core values of transparency and openness of its transactions through annual
87 financial reports to shareholders (in the annual general meetings). It operates within the guidelines of the
88 Board's Charter. In addition, the BoD oversees operations of the corporation in liaison with the standing
89 committees of risk and audit, strategic investment, and adhoc committee for HRM. NICE is regulated by
90 Bank of Eritrea (BoE) (Rena, 2007). b) Strategic Human Resources Management Practices SHRM practices
91 are those decisions and actions which concern the management of employees at all levels in the business, and
92 which are related to the implementation of strategies directed towards sustaining competitive advantage (Dimba,
93 2010). Even though advancement in the direction of identifying precisely which HR practices are linked with
94 better organizational performance has been unsatisfactory, it is recognized that there are four main areas in
95 which human resources strategies may be developed. These include recruitment, training, compensation, and
96 performance management (Armstrong, 2002; Foot & Hook, 2009). Pfeffer (2000) opines that a number of
97 HR practices are constantly superior to others and that all organizations ought to adopt them. He further
98 argues that increased utilization of management practices, for instance selective recruitment, incentive pay,
99 employment security, employee participation, performance management, training and promotion from within,
100 results in increased output across organizations. Likewise, Osterman (2004) noted that a number of modern
101 work practices, such as job rotation, job design, total quality management, and quality circles, result in efficiency

102 in organizations. These practices identified by Pfeffer and Osterman are also referred to as high performance
103 work practices, or simply best practices.

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

111 3 c) Organizational Performance

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

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

129 Organizational efficiency is the optimal transformation of inputs into outputs: accuracy, timeliness and value
130 of service and program delivery, and it's a ratio that reflects a comparison of outputs accomplished, to the costs
131 incurred in accomplishing these goals (UNDP, 2010; Njuguna, 2013). Organizational relevance denotes a firm's
132 ability to gain the support of its priority stakeholders as well as meet their needs in the past, present and future,
133 that is, the extent to which a firm adapts to changing conditions and its environment. It is the firm's ability to
134 innovate and create new and more effective situations as a result of insight and new knowledge (Montalvan,
135 2002; Njuguna, 2013). Financial viability is the ability of a firm to raise the capital required to meet its operational
136 requirements in the short, medium and long terms as well as financial sustainability (Lusthaus, 2002).

137 4 II.

138 5 Statement of the Problem

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

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

155 However, these observations notwithstanding, empirical literature reveals that most studies linking the
156 relationship between SHRM practices and organizational performance have mainly been carried out in developed
157 countries like United Kingdom and United States (Purcell, 2003; Guest, 2003; Archington & Wilkinson,
158 2007; Grant, 2008) and mainly in the manufacturing sector. Additionally, very few similar studies have been
159 carried out in the African context (Njuguna, 2013; Kiiru, 2015). Moreover, there is no such study that has been
160 carried out in Eritrea and more specifically, in the insurance sector; and hence the focus of this study in seeking

161 to establish the SHRM practices and their effect on perceived performance of parastatals with specific reference
162 to the National Insurance Corporation of Eritrea.

163 6 III.

164 7 Literature Review a) Theoretical Literature Review

165 Various theories have been used to underpin studies on SHRM, which include but not limited to universalistic
166 theory, resource based view theory, contingency theory, and configurational perspective theory (Njuguna,
167 2013;Kiiru, 2015;Begum, 2016). However, this paper adopts the postulates of universalistic theory which was
168 proposed by Dewar and Werbel (1979) and later rooted for by Delaney, Lewin, and Ichniowski, 1989;Terp-stra
169 and Rozell, 1993; Huselid, 1993; Huselid, 1995; Sterman, 1994; and Pfeffer, 1994).

170 The universalistic theory posits that some SHRM practices hold across whole populations of organizations;
171 and are constantly better than others and therefore all organizations should assume these best practices. Under
172 a universalistic approach, strategic HR practices are regarded as those found to consistently lead to higher
173 organizational performance. Its proponents contend that developing a set of "High Performance Human Resource
174 Practices" progressively leads to improved organizational performance (Delaney and Huselid, 1996). Moreover,
175 Universalists such as Pfeffer (1995) and Sterman (1994) argue that greater use of "high performance" practices
176 such as participation and empowerment, incentive pay, employment security, promotion from within the firm,
177 and training and skill development result in higher productivity and profits across organizations. This view is
178 supported by Archington and Wilkinson (2008) who posit that certain best human resource practices would
179 result in improved organizational performance, manifested through improved worker attitudes and behaviors,
180 decreased levels of turnover and absenteeism, increased skills levels and therefore increased productivity, better
181 quality and efficiency and increased return on investment.

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

187 8 b) Empirical Review

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

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

201 Empirical evidence on the relationship between HRM and organizational performance suggests that labor
202 productivity and organizational performance are positively related to diverse features of HR management systems
203 such as recruitment and selection (Kochy McGrath, 1996); training programs (Bartel, 1994); performance
204 evaluation (McDonald and Smith, 1995); compensation and benefits (Gerhart and Trevor, 1996; Gómez-Mejía,
205 1992); and innovative practices (Delaney and Huselid, 1996; Huselid, 1995).

206 Similarly, researches by Begum (2016) The findings of various empirical studies seem to converge at the
207 conclusion that human resources represent an asset that can be a source of competitive advantage because they
208 are difficult to duplicate by competing firms and hard to substitute even within the same firm and therefore
209 recommend that SHRM practices should be embraced by organizations in order to be guaranteed of sustainable
210 performance (Huselid, 1995; Huang, 1998 IV).

211 9 Research Methodology a) Research Design

212 This research was a case study of the National Insurance Corporation of Eritrea since it is the only insurance
213 company in the country. The choice of this corporation was informed by the fact that it is considered as only
214 corporations that declares its annual financial statements and conducts annual general meetings for shareholders in
215 Eritrea. The study employed exploratory research in a bid to establish whether the corporation had adopted
216 SHRM practices. However, since Saunders, Lewis and Thornhill (2007) Since this was a case study, a survey
217 was conducted at the headquarters of NICE which is based at Asmara. It was deemed that the responses at the

218 headquarters would mirror those at its two other branches since corporate decisions are made at the headquarters
219 and cascaded to the branches. Since the study population was small (73), a census survey was employed.

220 **10 c) Target Population**

221 The target population for this study was seventy three respondents from four departments at the National
222 Insurance Corporation of Eritrea at the headquarters in Asmara. The unit of analysis therefore was the National
223 Insurance Corporation of Eritrea while the units of observation were the departments: The General Manager's
224 Office, Administration, Technical, and Finance. This study used questionnaires and interviews to collect primary
225 data. Interviews were conducted with the general manager (CEO), administration and finance managers in order
226 to get their views on the role of SHRM practices in relation to performance. Data from the questionnaires
227 complemented by data from interviews are critical in enabling triangulation.

228 V.

229 **11 Discussion on the Findings a) Analysis of the Response Rate**

230 The researchers distributed 73 questionnaires out of which 65 were received from the field. This represented an
231 overall successful response rate of 89%. 8 questionnaires representing (11%) were never returned. According to
232 Wimmer and Dominick (2006), a response rate of 21% -70% is acceptable for self-administered questionnaires. It
233 guarantees accuracy and minimizes bias. Vogelberg and Stanton (2007) assert that when cross-sectional studies
234 of survey design are conducted at the individual level, the expected response rate is 50%. Ibid (2007) further
235 argues that for those studies carried out at the organizational level, the appropriate response rate is between 35
236 -40%. Therefore, the above response rate met this criterion hence it was appropriate for this study.

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

241 **12 b) Respondents Biographic Information**

242 For brevity and conciseness, Table 4.1 shows the demographic characteristics of the respondents. The findings
243 in Table 4.1 show the demographic profiles of the respondents and summary statistics of their distribution
244 across these characteristics. In terms of gender, the respondents were fairly distributed. There were marginally
245 more female respondents (50.8%) than male (47.7%). This shows that gender parity has been achieved in this
246 corporation which is quite commendable. This is consistent with the government's effort in promoting gender
247 equity in all sectors of the economy.

248 In terms of age, 19 (29.2%) of the respondents were aged below 30 years while those aged between 31-40 years
249 were 13 (20.0%). These two age brackets represented 49.2% of the total number of respondents implying that the
250 most active age of employees comprised half of the population involved in this study. 17 respondents were aged
251 41-50 years representing 26.2% while those aged above 50 years were 15 representing 23.1%. This is consistent
252 with the public sector career progression practices which lay emphasis on experience and the number of years of
253 service. The age structure of the employees also creates an opportunity for organizations to plan for succession
254 so that younger employees can take over from their older colleagues.

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

262 On experience, 22 (33.8%) of the respondents had experience of less than 5 years, 9 (13.8%) between 5-10
263 years, 4 (6.2%) between 11-15 years, and 30 (46.2%) over 15 years of experience at the corporation. Whereas,
264 almost half of the respondents had been with the corporation for a long period (above 15 years), there is a concern
265 that the number of those who have worked for the corporation for between 5-15 years is quite low, implying a
266 high turnover rate. It would be instructive for the management to establish the cause of this high turnover
267 and come up with appropriate strategies to encourage continuity. Otherwise, this trend, if not checked will
268 work to the detriment of the organization by denying it the benefits of organizational learning, tacit knowledge
269 and institutional memory. Four SHRM practices were sampled: capacity building, performance management,
270 motivation, and involvement in decision making. Since this study was exploratory in nature, categorical data
271 were sought with regard to whether the corporation engages in SHRM practices.

272 **13 i. Strategic Human Resource Management practice 1:**

273 Capacity Building From Table 4.2 above, respondents agreed that majority of the capacity building practices
274 are available at the corporation except for workshops where 73.8% indicated that workshops are not conducted.
275 There was mixed response on the availability of seminars as 49.2% indicated that seminars were conducted while

15 IV. RESULTS FROM THE INTERVIEW ON PERFORMANCE MANAGEMENT

276 47.7% indicated that seminars were conducted. The management ought to ensure harmony in the execution of
277 SHRM practices across all departments.

278 ii. Results from the Interview on Capacity Building Under this SHRM practice, the researchers sought to find
279 out the policies/guidelines that are in place with regard to capacity building and what adjustments/improvements
280 can be made.

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

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

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

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

303 14 iii. Strategic Human Resource Management practice 2:

304 Performance Management Source: (Survey Data, 2017)

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

312 15 iv. Results from the Interview on Performance Management

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

317 The interviews revealed that the corporation has not done very well in performance appraisal even though it
318 has made some appreciable efforts. For instance, the corporation has engaged the services of consultants in this
319 endeavor, the management team puts together observations on employees' performance and use it as a basis for
320 selecting best performers who are in turn rewarded in a number of ways: Every year employees ranging from 1
321 up to 5 are identified and granted bonuses ranging from 85% to 100% of their salary and sometimes even more.
322 Moreover, workers who are voted as the best performers are considered for sponsorships or scholarships as well as
323 for short term training programs. Additionally, to promote proper time management, the management uses an
324 attendance register that captures the time-in and time-out which all employees have to fill daily. Moreover, the
325 management doesn't pay any overtime and therefore employees must finish their chores within the working hours
326 and any overtime is at the expense of the worker. There is also a Board of Management Charter that guides the
327 working relationship between the board of management and the workers. There are also various committees and
328 they also have charters.

329 However, these performance management practices notwithstanding, it was established that performance
330 management has not been institutionalized in the corporation as the work of assessing employees' performance
331 is impeded by a myriad of factors which include but not limited to inadequate qualified personnel to conduct
332 objective performance appraisals; the fact that employees are deployed by the government to institutions or
333 organizations they may not have been interested in and in many occasions, which they do not have the requisite
334 skills or background knowledge and/or training in impedes objective performance assessment; absence of job
335 description owing to labor shortage which forces the corporation to reassign staff duties on a contingency basis.

336 Moreover, supervisor's leniency during performance evaluation, although they are seldom, hampers objectivity
337 thus rendering the practice invalid. It was also revealed that the limited practices of the formal performance
338 evaluation criteria as well as absence of formal performance appraisal guidelines/policies are major bottlenecks
339 to performance management. The results of Table 4.4 show that most of the items under motivation received a
340 NO response with 55.4% of the respondents indicating that remuneration is not linked to individual performance,
341 53.4% indicated that they never receive verbal commendation from their bosses; 67.7% indicated that workers do
342 not receive letters of appreciation; 60% indicated that gifts during special holidays/occasions/anniversaries are
343 never shared. There was ambivalence in terms of whether certificates of merit are given to employees or not with
344 47.7% indicating that they are issued while 46.2% indicated that they are not issued. This again is a reflection of
345 policy inconsistencies across departments, an issue the management requires to expeditiously address. Generally,
346 the corporation is not doing well in the area of motivation as five (5) out of eight (8) items under motivation
347 were answered in the negative. Motivation is a critical component of employee performance and it is highly
348 recommended that the management addresses this domain if it has to achieve sustainable performance.

349 **16 vi. Results from the Interview on Motivation**

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

353 Regarding motivation practices, it was established that the corporation engages in the following: bonuses to
354 well performing employees, salaries are slightly higher than for other corporations or institutions in the country,
355 sponsorship for evening classes and short courses, scholarships for the award of certificate courses, diploma courses,
356 and advanced diploma courses that are offered by the Chartered Insurance Institute, upgrading qualifications
357 at the College of Business and Economics -Halhale, a fairly good budget for motivation purposes, get-together
358 parties (retreats), and letters of appreciation at the end of the year. Other motivation activities include selling
359 shares to employees, providing children's facility for working mothers, offering transport for working mothers and
360 children, and membership of workers with the labor union.

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

366 With regard to promotion of career development, it was established that the opportunities for promotion or
367 career development are few and tight owing to factors such as labor shortage thus making it difficult to release
368 staff for long periods for studies; the challenge of brain drain to limit the number of people going out of the
369 country for studies. Another challenge is the lack of expansion of the insurance industry due to government
370 policies restricting importation of motor vehicles, which are the main sources of insurance cover (currently about
371 60,000), few industries, and generally very few insurance products offered to the market.

372 **17 d) Strategic Human Resource Management practice 4:**

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

380 **18 i. Results from the Interview on Involvement in Decision 381 Making**

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

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

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

392 The interview revealed the following: the corporation doesn't engage in formalized strategic planning. As
393 a matter of fact, the corporation doesn't have a strategic plan and consequently there are no strategic plan

22 A) RECOMMENDATIONS

394 reviews. The reasons given for the corporation not engaging in strategic planning were that the corporation is
395 the only insurance company in the country and therefore did not have any competitors (danger of monopoly).
396 The management also appeared not to strongly believe in the value of a written down (formal) strategic plan.
397 The danger of the absence of a formal strategic plan which would otherwise focus the organization on short-,
398 medium-, and long-term goals reduces the focus of management to operational or short-term plans.

399 In terms of empowering employees on decision making, NICE involves senior staff, supervisors and professionals
400 in solving corporation's problems, for instance, identifying best performing employees for the award of bonuses.
401 Departmental managers are empowered and mandated to perform within defined authority; for example, the
402 technical manager and agents can make independent monetary decisions worth 10 million and 2 million Nakfas
403 respectively. However, monetary decisions worth 500 million Nakfas and above require the approval of the top
404 management. Currently, there is an independent project team for introducing IT in the corporation's operations.
405 The team completely owns the technology and is working along with three Indian technicians and only consults
406 with the management for clarification on certain pertinent issues that require incorporation in the design of the
407 system. The corporation has also allowed the employees to be unionized and consequently, the labor union is
408 involved in reviewing remuneration and benefits on behalf of employees. e) Objective 2: The Establish the Extent
409 to which SHRM Influences Organizational Performance

410 Respondents were requested to express their opinions on the relationship between SHRM and organizational
411 performance by using the five-point Likert scale with 1=strongly disagree and 5=strongly agree. Responses on
412 scales 1-3; strongly disagree, disagree, and somewhat agree were coded as indicators of poor performance while
413 responses on scales 4 and 5; agree and strongly agree were coded as indicators of good performance. Results of
414 Table 4.6 reveal that employees strongly agree that SHRM are critical in enhancing organizational performance
415 as all the measures of organizational performance were highly scored. In the overall performance, 80% of the
416 respondents agreed that SHRM practices are correlated with good organizational performance. Owing to this
417 finding, it is highly recommended that the management comes up with appropriate strategies to institutionalize
418 SHRM practices in its operations for sustainable performance.

419 19 i. Results from the Interviews on Organizational Perfor- 420 mance

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

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

433 20 VI.

434 Summary of the Findings, Conclusions, and Recommendations

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436 Volume XVIII Issue I Version I Year () inadequate as well as lack of highly qualified personnel; only one employee
437 in the entire corporation had a master's degree. Moreover, there was no employee who had undertaken a course
438 in actuarial science, which is insurance-specific. It was also apparent that there was a problem of staff mobility
439 evidenced by the few number of employees with a working experience of between 5-15 years at the corporation.

440 22 a) Recommendations

441 Owing to the findings of this exploratory study, the following recommendations are deemed worthy of
442 consideration: 1. The management should consider the importance of a formal strategic plan because: It clearly
443 spells out the vision and the mission of the corporation as well as its core values; it sets out corporation-wide
444 performance targets as well as departmental targets; it provides metrics against which to evaluate organizational
445 performance; it guides budgeting and resource allocation; it prevents managers from arbitrarily introducing new
446 products or programs that are not in tandem with the corporation's goals/objectives; and it enhances focus,
447 commitment and discipline in the optimal utilization of resources; be they human, financial, or technological
448 in a bid to achieve both short-term and long-term corporate objectives. 2. The Corporation should consider
449 working together with the Eritrean Centre of Organizational Excellence (ERCOE), which can be instrumental
450 in helping out in developing a strategic plan as well as training. 3. Enhance capacity building by utilizing both

451 qualified internal staff as well as external experts to train staff based on training needs assessment. 4. To come
 452 up with formal policies on the implementation of SHRM practices in the entire corporation and strategies to
 453 institutionalize them. 5. To address the problem of lack of insurance experts, the management of the corporation
 454 should consider requesting the government through the Commission for Higher Education (CHE) to introduce a
 455 degree course in actuarial science in the order to train insurance experts.

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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)

d) Data Collection Instruments

Figure 1: Table 3 .

4

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1: Demographic Profiles of Respondents Frequency Percentage

Gender	Male	Female	Missing	Total	Frequency	Percentage
Total	Less than 30 years	31-40 years	41-50 years	Above 50 years	Missing	
	65					100
	Education level					
	Below 12 th grade	12 th grade	Diploma	Bachelor's degree	Master's degree	
	5	20	15	22	1	7.7 30.8 23.1 33.8 1.5

Figure 2: Table 4 .

457

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 2 shows the results from the re- spondents on capacity building: Global Journal of Management and Business Research

[Note: A]

Figure 3: Table 4 .

4

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

Source: (Survey Data, 2017)

Figure 4: Table 4 .

4

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Figure 5: Table 4 .

4

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

Figure 6: Table 4 .

4

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[Note: A]

Figure 7: Table 4 .

4

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

Source: (Survey Data, 2017)

Figure 8: Table 4 .

4

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

Source: (Survey Data, 2017)

Figure 9: Table 4 .

4

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[Note: A]

Figure 10: Table 4 .

4

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

Source: (Survey Data, 2017)

Figure 11: Table 4 .

458 This exploratory study revealed the following: the corporation has embraced a number of SHRM practices but
459 they are not being implemented in a systematic manner due to lack of clear formal policies/guidelines on how they
460 are supposed to be implemented across all departments. The corporation has attained gender parity (females
461 (50.8%) and males (47.7%) in terms of placement, which is quite commendable. The corporation doesn't have a
462 formal (written down) strategic plan which could be instrumental in setting corporation-wide performance targets
463 as well as departmental targets and also provide metrics for evaluating organizational performance. Absence of
464 a strategic plan could also be denying the managers the impetus to vigorously implement the SHRM practices.
465 The corporation requires improvement in the area of motivation as majority of the respondents indicated that
466 most of the practices under motivation are not in place. In addition, there is the problem of
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