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STUDYTHEEFFECTIVENESSOFTHCOMPENSATIONMANAGEMENTONTHEUCCESSFULOFTHPRIVATEINSURANCECOMPANYINJORDAN

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1. INTRODUCTION

In this report I am going to talk about compensation management at the private insurance company and its impact on company's successful.

The private Insurance Company was founded in 1976 by Society National D'Assurances, under the name of "Jordan Eagle Insurance" and began selling its products (life insurance, personal accidents and individual health insurance).

In 1981, the company extended its' business by adding non-life insurance activities and group life & medical insurance.

a) *The private insurance company Organizational Structure*

The organizational structure at the private insurance company is hierarchy, total number of departments in the company distributed as below:

1. General manager office.
2. Legal department.
3. Reinsurance department.
4. Corporate communications office.
5. Medical claims department.
6. Group life and medical department.

7. Human resources department.
8. Information technology department.
9. Individual life and medical department.
10. Internal auditing department.
11. Finance department.
12. Nonlife and general insurance department.
13. Collection department.
14. Customer service department.
15. Administrative affairs department.
16. Retail distribution channels and sales department.

Each manager of the above departments is reported to the GM directly.

b) *Size of the Company*

The total number of employees at the private insurance company is 263 including sales team.

The company has 3 branches, the head quarter is in Amman, the other branch is in Aqaba, and the third one is in Irbid. Also, there is a disaster recovery site located in Al-Salt.

c) *Human Resources Department Functions at the private insurance company*

The scope of the HR department at The private insurance company covers all the following areas:

1. Conducting strategies.
2. Planning.
3. Conducting job analysis and job description.
4. Recruiting employees.
5. Orientation and induction programs
6. Training employees.
7. Performance evaluation or appraisals.
8. Attendance and vacations monitoring.
9. Maintaining employees files.
10. Resignation, termination employees.
11. Motivating employees.
12. Managing ethics, justice and fair treatments.
13. Managing conflicts.
14. Managing Job diversity.

To manage all employees activities, The private insurance company use specific payroll system which is (VOLT HRMS) , it is used to monitoring employees attendance transactions (leaves, vacations), financial transactions, tasks enrollment transactions, in addition to manage automated purchase orders transactions.

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ESS is available | [Help](#) | [English](#)

Tala Yahya Abdel-Salam Abdel Rahim | [Change Password](#) | [Logout](#)

Admin | **Employees** | **Self service** | **Transactions** | **Reports** | **Purchase Orders**

Overtimes | **Vacations** | **Leaves** | **Loans** | **Delays** | **Deductions** | **Cash payments** | **Raises** | **Absenteeism** | **Official letters** | **Tasks**

You Are Here :: Home | Reports | Employee card report

Report type: ☒ Employee card report ☐ Employee badge report

☒ Employee

Employee number (*)	848		
Employee name	Tala Yahya Abdel-Salam Abdel Rahim	Job title	Senior Network Administrator
Employment status	In notice period	Attendance status	Working
Termination reason	Better Offer		
Resignation date	25/10/2021	Last working day	23/11/2021
Branch	Amman HQ	Employment date	01/07/2015
Unit	Executive Office	Department	Information Technology
Division		Section	

Figure 1: Payroll system at the private insurance company

Unit: Executive Office | Department: Information Technology

Division: | Section:

Vacation type (*)

- Select -
- Select -
- Sick Vacation
- Additional Sick Vacation
- Family Sickness
- Annual Vacation
- Unpaid Vacation
- Maternity Vacation
- Paternity Vacation
- Marriage Vacation
- Family Death
- Hajj Vacation
- Work Leave- full day
- Quarantine Vacation

Start date (*)

Total days

Paid days

Unpaid days

Telephone while on vacation

Last returned date

Notes

You can chose any employee by entering the employee code

Replacement employee code

Vacation attachment

Choose File | No file chosen | [Upload](#)

Attachment

Return date (*)

Holidays

Weekend days

72°F Partly sunny | 1:27 PM | 11/17/2021

Figure 2: Vacations List

d) Problem Statement

The purpose of this research is to discover and analyze the applied compensation management strategies, system, and elements at The private insurance company and what are the previous system. and as the researcher considers one of the members of The private insurance company team, the researcher decided to write about this company, because she knows the importance of compensation management and what are the effects on compensation systems on employee performance, efficiency, and effectiveness.

In the past most of HR activities and compensation systems were applied in the traditional way and not systematic, all of them were done on paper

and this effect on the effectiveness of the decision making and effect on the employee's productivity.

In addition, the payroll system played a big role on the enhancement of these activities.

e) Objectives

The main objective of writing on this research paper, is to find out the impact of Compensation System at the company's performance (efficiency, effectiveness, productivity), and how they help the company to be more successful.

In addition, to know the various types of Compensations provided by the company and to identify the satisfaction level of employees of their Compensation at the company.

f) *Hypothesis*

H10: The Compensation Management Process doesn't have an Effectiveness on the successful of the private insurance company Insurance Company.

H1a: The Compensation Management Process do have an Effectiveness on the successful of the private insurance company Insurance Company.

g) *Research Method and Data Collection*

To collect the needed information for this paper the researcher used one of the qualitative methods, an interview (Face to Face) was done with the HR manager, the assistant of HR manager, and the HR officer at the private insurance company insurance company.

During the interview the researcher asked the participants the main question of this paper:

1. What is the used compensation management in the company?
2. What are the components of compensation management?
3. What is the importance of compensation?
4. What are the success factors for compensation management?
5. What is the job evaluation and employee's performance appraisals criteria at the company?
6. What is the used reward system at the company?

II. LITERATURE REVIEW

A case study was conducted to find out the relationship between the compensation management and employee's performance on food, beverages and Tabaco industry in Nigeria, this paper inspected the impact of Remuneration Administration on Workers Execution in the Fabricating Division, A case consider of A Legitimate Nourishment and Refreshment Industry. The goals were to: decide the degree at which stipend administration influence representative's execution, assess the relationship between working condition and worker execution, get to the rate at which welfare services influence representative's exhibitions, investigate relationship between recompense administration and improved efficiency and investigate the relationship between recompense administration and retainment of staff. From the comes about of the consider, it can be concluded that there's a noteworthy relationship between good welfare benefit and representative's performance. More so, there's a noteworthy relationship between compensation administration and improved efficiency. Aside from these, there's a significant relationship between recompense administration and retirement of staff. Conclusively, there's a positive significant relationship between emolument administration and workers execution. (Odunlami and Matthew, 2014).

A research paper was conducted on the Literature Review on Compensation System Design, this

paper offers some implications for the effective implementation of compensation system design. This paper suggests that compensation system design should consider not only the methods used to reward employees' performance, such as combining short- and long-term incentives and placing a premium on the degree of team effort, but also the enterprise's conditions, such as corporate strategy, organizational culture, and so on. Furthermore, businesses should focus on internal building, such as enhancing internal control quality and preventing overlap between the Audit Committee and the Remuneration Committee, which will assist the compensation system perform well. Meanwhile, businesses should consider the use of external oversight mechanisms and the knowledge of auditors to reduce the influence of incentive measures on financial misreporting. In general, the article can assist businesses in developing a scientific and appropriate compensation system, as well as contributing to the positive and effective operation of compensation systems, both of which are important in the development of businesses. That is to say, it can assist businesses in improving their performance and reducing financial misreporting. Furthermore, because this paper summarizes the most recent research on compensation system design considerations and the effects of compensation system design on performance and financial misreporting, it provides a holistic view of related compensation system design research, which is useful for identifying research innovation points or new research directions in compensation system design. This is important if you want to keep up with scholarly research (Hong, 2017).

A Study on Compensation Management with Reference to Bank Employees Working in Hyderabad was conducted to determine the impact of compensation on employee productivity as well as employee perceptions and satisfaction with compensation. The research Compensation management provides a quick overview of employee compensation in the firm, explains the employee incentive system, and assesses employee performance at work. The study's rationale is to create an appropriate compensation package for employees that is both cost effective and motivates them to do their jobs. The research is being carried out in banks in Hyderabad.

Convenience sampling was utilized as the sample method. The respondents were asked to complete the questionnaires, which resulted in the collection of primary data.

Secondary data was gathered from a variety of sources, including books, survey reports, and the internet.

The study is predicated on the hypothesis that an organization's compensation has no bearing on employee productivity and retention. The primary source data and the secondary source data Secondary sources

were studied with the help of relevant research tools such as graphs and tables. According to the findings of the research It was discovered that the staff are happy with their jobs. The policy on compensation and salary administration, as well as they believe their remuneration is worth the price of their situation Employees also agree that the Compensation policy in their organization helps Employees and their families have a better quality of life. Security in both life and money (Reddy, 2017).

In 2008, an important article with the title "CAN COMPENSATION BE STRATEGIC? A REVIEW OF COMPENSATION MANAGEMENT PRACTICE IN LEADING MULTINATIONAL FIRMS" was conducted, Employee behaviors must be aligned with the organization's strategic direction, according to modern remuneration approaches.

Organizations have embraced such ideas, which are referred to as strategic compensation. Nonetheless, our comprehension is limited.

Because of the nature of strategic compensation management, there are only a few options.

Even though strategic pay has It is believed that orthodoxy has received a lot of academic and practitioner attention.

Theoretical models of strategic pay include a number of significant flaws.

Furthermore, it is asserted that there is a wealth of factual facts that may be used to refute conventional wisdom Compensation approaches that are strategic.

In researching the usage and efficacy of strategic planning The conclusions of the survey that forms the basis for this report on remuneration in top companies Many firms face severe managerial challenges, according to the findings of this article. seeking to employ compensation in a smart manner, as a result, realized compensation practice often reflects neither what was desired strategically nor intended as policy. Often reflecting a poor acceptable the organization, negative outcomes of strategic compensation systems include high costs, a greater administrative burden and industrial conflict manifest in an exceedingly demotivated and disengaged workforce. More significantly still, the mismanagement of strategic compensation systems may induce undesirable employee behaviors leading to unintended consequences that are often discreet and so difficult to remedy. during this sense, compensation clearly is very important, but not because the value-creating activity purported by exponents of strategic compensation. Rather, it's a business risk that needs careful management and good governance to make sure that it doesn't diminish or consume more value than it creates. Theoretically, the study highlights variety of limitations of managerialist accounts of strategic compensation, and points instead to the importance of additional powerful, but currently underdeveloped, theory. Contingency and

neo-institutional accounts of firm behaviors are seen considering the empirical data to be particularly relevant and worthy of further research to enable a greater understanding of this important economic and social aspect of organizational behavior (Trevor, 2008).

III. RESEARCH QUESTIONS

a) *The Used Compensation Management at The private insurance company*

Al Nisir applies Motivation and Incentives programs in a different way.

The motivation may be physical, moral or both, where the employee can be promoted to a higher position, be given a financial reward, or honored by providing a letter of thanks.

When I asked the assistant of HR manager about her satisfaction with the compensation system and how she evaluated it she said that their incentive and salary system is fair and very good in comparison with other systems.

Methods of motivation for employees vary between direct and indirect, intrinsic and extrinsic.

Motivation of employees depends on both matters the number of years of experience and merit, depending on the circumstances of each job and department.

b) *The Components of Compensation Management at the Private Insurance Company*

i. *Monetary Compensations*

Monetary compensations at the Private Insurance Company include:

1. Salary.
2. Overtimes.
3. Bonuses.
4. Health Insurance.
5. Yearly vacations.
6. Life Insurance.
7. Rewards.
8. Allowances.

ii. *Non-Monetary Compensations*

Non-monetary compensations at the private insurance company include:

1. Participation in the decision making.
2. Recognition of employee efforts.
3. Naming the ideal employee (giving the employee of the year thanking letter, at the private insurance company gold pin, and money)
4. Celebrations.
5. Paid vacations
6. Encourage the private insurance company employees in CSR (Corporate Social Responsibility) program.

c) *The Importance of Compensation at the Private Insurance Company*

As a member of this company, the compensation management is very important to develop a healthy workplace, in addition to encourage the creativity and motivation for employees, so when the employee felt that he is valued this will motivate him and increase efficiency, effectiveness, and productivity, this will lead to higher performance and achieving the desired outcomes and objectives for the company.

In addition, compensation management give for the private insurance company a competitive advantage in insurance field and reflecting a great image about the company in front of the competitors and customers.

The most important part of compensation management that it increases the employee happiness, and satisfaction and this will lead to customer satisfaction.

d) *The Success Factors for Compensation Management*

In my opinion the most important factor of compensation management successful process, that it is systematic and be applied depending on specific rules, regulations and KPIs, so every employee can know his compensation depending on his performance during the year, and the percentage of any raises or bonuses depending on this performance, even the range of percentages decided by board members depending on grades, qualifications, and years of experiences, so there is no bias or discrimination between employees.

e) *The Job Evaluation and Employee's Performance Appraisals Criteria at the Private Insurance Company*

The HR department at the insurance company conducting an appraisal policy to assess employee's performance and the needed training for each employee at the end of each year.

i. *Performance Assessment Elements*

- Skills competencies and work performance.
- Comments of employee's supervisor or manager.
- Key input for training needs identifications.

ii. *Rating Factors are Used to Evaluate Employee's Performance*

- Below expectations.
- Meet expectations.
- Exceeds expectations.

iii. *Steps of Appraising*

- The first step of appraising employees when the department's manager conducted target plan at the first of each year to be followed in the whole year and assign or divide these targets between the department employees.
- After that the HR manager set with the department's manager and conduct KPIs for each target, each

target takes a certain weight from 100 and the total for these targets should be calculated from 100.

- The KPIs should be written and given to all employees to know their responsibilities and their targets weight.
- At the end of each year the department's manager set with their employees one by one to review the done targets and put the total weight out of 100.
- After that each department's manager set with HR manager to give her the results.
- depending on the result the HR manager put the percentage of salary increase for the next year depending on the approved allowance range from the board of members.

f) *The Used Reward System at the Private Insurance Company*

The reward system is part of compensation system, it is divided into extrinsic and intrinsic. There are many reasons for using reward systems in organizations. It is generally believed that the reward system affects the following aspects:

1. *Work hard and performance:* According to expectations theory, when employees believe that rewards depend on good performance, their efforts and performance will increase. Therefore, the reward system has a very basic incentive function.
2. *Attendance and Retention:* Reward systems have also been shown to influence an employee's decision to come to work or remain in the organization.
3. *People's commitment to the organization:* The reward system has been found to strongly influence employee engagement with the organization, especially through the exchange process.
4. *Job satisfaction:* There are four relationships between rewards and satisfaction: (1) reward satisfaction is a function of how much has been received and how much the individual feels he should receive; (2) Satisfaction is influenced by the comparison with what happens to other people, to colleagues; (3) People differ in what rewards they value; and (4) some rewards are satisfying because they lead to other rewards.

Rewards at Private Insurance Company are:

- Having fun at office.
- Bonuses.
- Overtimes.
- Employee of the year.
- Career development.
- Time off.

At the end the well managed compensation and reward system will lead to job performance enhancements and motivation to achieve company's objectives and goals (as shown in figure 3).



Figure 3: The Impact of Reward system on Motivation

IV. CONCLUSION

In conclusion, and after analyzing the collected interview data by documentation the research, summaries, abstracts, and memos, the answer to the researcher question is that (Compensation Management Systems do have an Effectiveness on the Successful of the private insurance company Insurance Company) which is the H1a. On the other hand, compensation management have an important impact on the employee's satisfaction and generating a healthy work environment. At the end this will reduce turnover rates at the company and increase company's revenues and customers satisfactions.

V. RECOMMENDATIONS

The study recommends The private insurance company to enlarge the HR department at the company and divide the work on more than 3 persons, because if the company want to achieve better outcomes it should concentrate on each function of HR, such as specific team for employees relations as the number of employees is increasing and this will lead to a conflict between them, specific team for recruiting, specific team for appraising, because when the work divided on multiple teams the results for each function will be more efficient and the company will be more stable and well organized.

On the other hand the study recommends The private insurance company to concentrate more on compensation budget and give it a large weight from the total budget, to ensure that there is a high level of satisfaction and loyalty.

Finally the private insurance company should conduct appraising process on quarterly bases not only yearly, because the continuous performance monitoring process helps to improve performance and productivity.

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