

STRATEGIC HUMAN RESOURCE MANAGEMENT AND ORGANIZATIONAL PERFORMANCE IN THE NIGERIAN INSURANCE INDUSTRY: THE IMPACT OF ORGANIZATIONAL CLIMATE

Abdulkadir Danlami Sani
Department of Business Administration
Ibrahim Badamasi Babangida University, Lapai, Nigeria

ABSTRACT

This study investigates the impact of strategic HRM practices on organizational performance of insurance companies in Nigeria as well as examining whether the effectiveness of strategic HRM practices on organizational performance is contingent on organizations' work place climate. A multi-respondent survey of 18 insurance companies was undertaken and data collected was subjected to regression and correlation analysis as well as descriptive statistics in pursuance of the study's stated objectives. Organizational climate was measured through a set of questionnaire that we developed based on the eight organizational climate dimension proposed by Koys and De Cotiis (1991). Study results suggest that strategic HRM alignment, line management training, career planning system and job definition are the key strategic HR practices that influence organizational performance in the Nigerian insurance industry. Results also suggest that the relationship between strategic HRM practices and organizational performance in the Nigerian insurance industry is moderately influenced by organizational climate. This study was therefore, able to prove the hypotheses proposed and provide support to the existing theories.

Key words: Strategic HRM, Performance, Organizational Climate, Insurance Companies,

Introduction

In the past few years, there has been a considerable deal of research focusing on the relationship between strategic Human Resource management (SHRM) practices and organizational performance. These studies were fuelled by the argument that access to capital and technology, are becoming less effective as they can be easily imitated by competing organizations. Human resource is argued to represent an asset that can provide a source of competitive advantage because it's often difficult to duplicate by competitors and hard to substitute even within the same organization. Strategic HRM can therefore, be used by organizations to acquire and develop this valuable capital. A number of studies have actually demonstrated that SHRM practices, either individually or as a system, are associated with higher levels of performance (see, Huselid, 1995; Huang, 1998; Dimba and K'Óbonyo, 2009; Abdulkadir, 2009).

One of the issues that have featured prominently in the discussion of these interactions is the question of whether the relationship between Strategic HRM practices and indicators of organizational performance is universal or contingent. The universalistic view suggests that certain types of HRM practices are more

effective than others (Pfeffer, 1994; Huselid, 1995). For example, organizations that use innovative recruitment and selection systems should typically have more effective, efficient and motivated workforce than organizations that do not. The contingency view, on the other hand, suggests that the effectiveness of HRM practices is contingent upon other factors such as organizational climate, culture, competitive strategies, e. t. c. According to this argument, HRM practices that enhance the knowledge, skills, ability and motivation of employees would have a greater impact on performance if the organization is using a strategy that requires highly skilled and motivated employees (Neal, West and Paterson, 2005).

The main objective of this study is to determine the impact of strategic HRM practices on organizational performance of insurance companies in Nigeria as well as examining whether the effectiveness of strategic HRM practices on organizational performance is contingent on organizations' work place climate. In the sections that follow, we define the main constructs used in this study, review relevant literature and empirical findings on strategic HRM as well as the methodology used.

Review of the literature

Nature of Strategic HRM

Strategic Human Resource Management implies a managerial orientation that ensures that human resources are employed in a manner conducive to the attainment of organizational goals and mission. The concept of Strategic Human Resource Management (SHRM) evolved in the 1990s with an increased emphasis on a proactive, integrative and value-driven approach to human resource management (Schuller, 1992). Strategic HRM focuses on several issues including the fit between human resource management practices and organizational strategic goals, the integration of human resource management in the organizational strategic management, the involvement of human resource function in senior management teams, the devolvment of human resource practices to line managers and taking of strategic approach to employee selection, compensation, performance appraisal and the value that is added to the organizational performance by HRM. It has also been defined as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright and McMahan, 1999). The latter definition highlights the two important dimensions that distinguish SHRM from traditional HRM. It links HR practices

with the strategic management process of the firm vertically and horizontally, it emphasizes that HR practices are integrated and support each other.

Strategic Human Resource Management Practices

Integration of HRM with Corporate Strategies:

Integration of HRM refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization (Schuler and Jackson, 1999). Buyens and De Vos (1999) argue that in order for HR to be a strategic partner, HR managers should be involved in strategic decision making alongside other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy. This involvement would include the membership of HR managers in the most senior management teams in the organization. This would provide an opportunity for HRM to represent its concerns and influence business strategy from the outset of decision making. The chances of integration and value creation may be further increased if the senior HR manager and the CEO have an opportunity to establish a relationship. In this role, HR

managers need to have knowledge of core markets, competitors, costs, profit indicators and stakeholders to be considered equal business partners (Chaddie, 2001). The involvement of a senior HR manager in a firm's senior management team provides an important channel for interactive information flow and communication.

To achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful (Budhwar, 2000; Teo, 2002) as it can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such as a tight labour market (Cunningham and Deborah, 1995). A documented HRM strategy helps the organization to develop an HRM vision and objectives and to monitor performance. Some empirical evidence from previous research indicates that the full impact of HR practices on organizational performance occurs when HR practices are strategically congruent and consistent with each other (Khatri, 1999).

Delegation of HR practices to Line Managers:

To make HR managers more available for participation in strategic decision-making process, Budhwar and Khatri (2001)

argued that the responsibility of routine execution and administration of HR practices should be delegated to line managers as they have direct and frequent contact with employees.

However, for the benefit of devolvment to be realized, line managers will need to possess appropriate skills to execute HR practices competently and effectively to a benchmarked standard advocated by HR managers (Hall and Torrington, 1998). This means that the senior HR manager needs to be a strategic partner with line managers, providing training, resources, incentive and a communication channel to ensure these HR practices are carried out in accordance with HRM policy (Teo, 2002).

Innovative Recruitment and Selection System:

A rigorous, valid and sophisticated recruitment and selection system helps in identifying a right candidate with potential to perform. A rigorous selection system generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization (Pfeiffer, 1994). The mismatch between the person and the job can hamper performance levels, whereas a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirement. Also,

selection has been found to be positively related to firm performance (Terpsra and Rozell, 1993).

Training and Development System:

Organizations can develop and enhance the quality of the current employees by providing comprehensive training and development. Indeed, research indicates that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak et al., 1999).

Performance Appraisal System:

Organizations can monitor the development of desired employee attitudes and behaviour through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices to select and develop employees with the desired behaviour and attitudes. However, the effectiveness of skilled employees will be limited unless they are motivated to perform their jobs.

Compensation System:

Firms can affect the motivation of employees in several ways. They can use performance-based compensation to provide rewards to employees for achieving the specific goals and objectives of the firm. A substantial body of work has provided evidence that incentive-based compensation has an impact on firm

performance (Milkovich and Boudreau, 1998).

Career Planning System:

A well-functioning career planning system may also encourage employees to take more responsibility for their own development, including the development of the skills viewed as critical in the company. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance Milkovich and Boudreau (1998).

Organizational Climate

The term organizational climate has been defined in numerous ways. Basically, various definitions of organizational climate given by scholars comprised two different types of climate within organization, namely: organizational climate and psychological climate (Jensen, 2003; James and Jones, 1974). When climate is measured in relation to organizational attributes, it is called organizational climate and treated as organizational property. Organizational climate in this view is considered as average meanings that employees attach to a particular work setting. Whilst at the individual level, climate is a cognitive interpretation of an organizational situation

that has been labeled psychological climate which represents how work environments are cognitively appraised and represented in terms of their meaning and significance for individual employees in organizations. Psychological climate is considered as meanings that individuals attach to their work context (Jensen, 2003; James and Jones, 1974).

Organizational climate is also defined as a global impression of one's organization and personal impact of the work environment, which influences the individual's work behaviors and job-related attitudes. It describes the perception of employees towards their organizations which would link to work attitude formation (Litwin & Stringer, 1968; Pritchard & Karasick, 1973). French et al (1985) see organizational climate as the relatively resistant set of perceptions held by organization members concerning the characteristics and quality of organizational culture. They further distinguish between the actual situations (i.e. culture) and the perceptions of it (climate).

Measuring Organizational Climate

Organizational climate measures attempt to assess organizations in term of dimensions that are thought to capture or describe perceptions about the climate. Different definitions of organizational

climate as mentioned earlier show a general disagreement among researchers on what actually constitutes the climate construct. As a result, several researchers tried to construct their own dimensions that form organizational climate, which eventually will produce several types of climate. Basically, according to Ainuddin and Ling (1998), different organizations with different practices and procedures will have different climate constructs since organizational climate deals with inter-perceptions of employees toward their own organization.

Perceptions about climate can be measured by questionnaires such as that developed by Litwin and stringer (1968) which covers eight categories:

- i. Structures – feelings about constraint and freedom to act and the degree of formality or informality in the working atmosphere;
- ii. Responsibility – the feeling of being trusted to carry out important work;
- iii. Risk – the sense of riskiness and challenge in the job and in the organization;
- iv. Warmth – the existence of friendly and informal social groups;
- v. Support – the perceived helpfulness of managers and co-workers;

- vi. Standards – the perceived importance of implicit and explicit goals and performance standards; the emphasis of doing a good job;
- vii. Conflict – the feelings that managers and other workers want to hear different opinion;
- viii. Identity – the feeling that you belong to a company; that you are valuable member of a working team.

A review of a number of questionnaires was carried out by Koys and De Cotiis (1991), which produced the following eight typical dimensions of organizational climate:

- i. Autonomy – the perception of self-determination with respect to work procedures, goals and priorities;
- ii. Cohesion – the perception of togetherness or sharing within the organization setting, including the willingness of members to provide material risk;
- iii. Trust – the perception of freedom to communicate openly with members at higher organizational levels about sensitive or personal issues, with the expectation that the integrity of such communications will not be violated;
- iv. Resource – the perception of time demands with respect to task

competition and performance standards;

- v. Support – the perception of the degree to which superiors tolerate members' behaviour, including willingness to let members learn from their mistakes without of fear of reprisal;
- vi. Recognition – the perception that members' contributions to the organization are acknowledged;
- vii. Fairness – the perception that organizational policies are non-arbitrary or capricious;
- viii. Innovation – the perception that change and creativity are encouraged, including risk-taking into new areas where the member has little or no prior experience.

Types of Organizational Climate

Besides constructing various measurements of organizational climate, different scholars also formed numbers of organizational climate types, which show different kind of work atmosphere perceived by staff. Using Organizational Climate Description Questionnaire (OCDQ) with eight dimensions of organizational climate, Halpin and Croft (1963), conducted their own research among school managers and teachers of elementary schools in Chicago, while Alavi and Jahandari (2005) conducted it

among university staff in Iran. Both studies by Halpin and Croft (1963) and Alavi and Jahandari (2005) produced the same types of climate, which consisted of six types of climate, range according to the rate of their openness, as follows: 1) open, which has characteristics of high motivation for personnel, while the manager and the personnel have honesty and sincerity in their behavior. The manager leads the organization through providing a suitable combination of structure and consideration. The personnel work well with each other and are committed to their duties because the manager's leadership is realistic. There is no necessity for close supervision (emphasis on production) or a set of rules and regulations; 2) autonomous; 3) controlled (the emphasis on the duties of the personnel, but little emphasis on the personnel's relationships); 4) familiar (a loving environment but without attention to the efficiency); 5) paternal (with emphasis on commandments and continuous supervision; and 6) closed, which within closed organizational climate, the manager has a close supervision (emphasis on production). Disappointment and indifference are seen in the personnel. The manager is not effective in guiding the personnel activities. They do not work with each other well, thus, achieving the group

success is rarely possible, and the morale is low. This shows low job satisfaction and low social satisfaction.

Burton, Lauridsen and Obel (1998) research's findings indicated four different types of organizational climate, derived from Zammuto and Krakower's (1991) type of climates, specifically: a **group climate** which refers to low on tension and high on resistance to change. The **developmental climate** is similarly low on tension, but is also low on resistance to change. Here, the climate entertains change and is much more oriented to the outside world with a sense of adventure. The other two climates are higher on tension. The **rational goal climate** has a low resistance to change, driven by an external orientation to success as measured by outside measurements and competition. The **internal process climate** also has high tension and high resistance to change; it sees change as threatening to current ways of doing things. Their data indicate that the concepts of tension and resistance to change capture well the basic aspects of the organization and can be used as basic dimensions of climate.

PRIOR STUDIES ON STRATEGIC HRM

The era of strategic HRM was ushered in nearly two decades ago and since then, a

behavioral perspective has emerged as the predominant paradigm for research. However, it was only in the 1990s that the concept of bundling of human resource practices became popular and attracted numerous studies. Ferris et al. (1990) made one of the first major attempts to examine how effective management of human resources might contribute to positive organizational performance. In their study of 2,236 firms from the U.S. construction industry, the Ferris group addressed the roles played by three important organizational functions and activities on firm performance: the status and importance of the HRM function, the role of unions and strategic planning. They found that firms that had HRM departments were generally high performers (i.e., larger total sales volume), firms that had a higher percentage of their workforce unionized also performed better than firms with a lower percentage and, finally, firms performed better when they engaged in more formalized strategic planning.

In a comparative study of strategic HRM practices among American-owned, Taiwan-owned and Japanese-owned firms, Huang (1998) examines the strategic level of HRM at 315 Taiwanese business firms. Using the General Linear Model (GLM) and Scheffe multi-range test as methods of statistical analysis, the findings indicate

that American-owned businesses were discovered to engage in strategic human resource management (SHRM) more frequently than Japanese- or Taiwan-owned enterprises. A positive relationship was also found between the amount of capital resources available to firms and the extent to which they practiced SHRM. Huang also reported that firms engaging in SHRM received a higher rating than other firms on the indices of organizational morale, financial performance, and overall performance.

Also, based on the questionnaire responses by heads of human resource departments in 191 companies in Singapore, David et al. (2002) examined the relationship between strategic HRM and organizational financial and human resource performance in Singapore. Using descriptive statistics and regression to analyze the data, the results indicate that with the exception of team-based work and performance-based pay, all the other strategic HRM components have a positive impact on the financial performance of a firm. Results also show that all the strategic HRM variables have a positive impact on HR performance.

Singh (2004) investigated the relationship between six HRM practices and firm level performance in India. 359 firms were drawn from firms listed in the Centre for Monitoring Indian Economy

(CMIE) database. Of these 359 firms, 82 responded positively to the survey. Using regression and correlation analysis, the study found a significant relationship between the two HR practices, namely, training and compensation, and perceived organizational and market performance of firms.

Green et al., (2006) reported that organizations that vertically aligned and horizontally integrated HR function and practices performed better and produced more committed and satisfied HR function employees who exhibited improved individual and organizational performance. Tessema and Soeters (2006) examined how, when and to what extent HR practices affect performance in Eritrea, Africa's youngest and poorest country. They reported that successful implementation of HR practices could enhance individual and civil service organization of Eritrea, but the economic and political environment within which HR practices operate are not conducive. Their study tried to shed some light on the HRM-performance debate within the context of a developing country.

Using a stratified random sampling by industry, Kai et al. (2007) surveyed 231 firms listed on the Australian Stock Exchange (ASE). Using descriptive statistics and correlation analysis, results indicate that strategic integration and

devolvement of HRM were practiced to a moderate extent in the firms sampled, and that the degree of alignment of HRM with business objectives and strategies had a positive relationship with perceived firm financial performance.

Som (2008) sampled 69 Indian companies with a view to examining the impact of innovative SHRM practices on firm performance. Using descriptive statistics and regression analysis, results indicate innovative recruitment and compensation practices have a positive significant relationship with firm performance. Their results also show that recruitment, role of the HR department and compensation practices seem to be significantly changing within the Indian firms in the context of Indian economic liberalization. The synergy between innovative HRM practices was not found to be significant in enhancing performance during the liberalization process.

Dimba and K'Obonyo (2009) investigated the nature of the effect of SHRM practices on organizational performance. The study sought to determine whether the effect of human resource management practices on organizational performance is direct or indirect through employee motivation, and whether employee cultural orientations moderate the relationship between strategic human resource practices and

employee motivation. 50 multinational manufacturing companies in Kenya were sampled. One HR manager, 2 line managers and 3 employees from each organization were chosen for the survey. The study adopted the measures developed by Hofstede and Huslid. Using regression analysis, the results indicate that all the variables of SHRM practices, except recruitment and selection were positive and significantly correlated with performance; relationship between SHRM practices and firm motivation did not depend on employee cultural orientations when cultural values were considered; motivation mediated the relationship between SHRM practices and firm performance and motivation affected firm performance.

Okpara and Pamela (2008) examined the extent to which organizations in Nigeria use various HRM practice and the perceived challenges and prospects of these practices. Data were collected from 253 managers in 12 selected companies in 10 cities. Their findings reveal that HRM practices, such as training, recruitment, compensation, performance appraisal and reward systems are still in place and that issues of tribalism, AIDS, training and development and corruption are some of the challenges facing HRM in Nigeria.

Research hypotheses

In order to achieve the objectives designed for this study, the following research hypotheses are stated in their null form based on the revelations in the review of literature concerning SHRM practices and firms' performance.,

Hypothesis One:

Strategic human resource management practices have no significant effect on the performance of insurance companies in Nigeria.

Hypothesis Two:

SHRM is not practiced by insurance companies in Nigeria.

Hypothesis Three:

There is no significant relationship between the different SHRM practices and organizational performance.

Hypothesis Four:

The relationship between strategic HRM practices and organizational performance in the Nigerian insurance industry is not influenced by organizational climate.

Research methodology

Data Collection

The population of this study is made up of all the insurance companies operating in the Nigeria. The study made use of a sampling frame consisting of 20 insurance companies listed on the Nigerian Stock Exchange (NSE) as at 10th December,

2010. A total of fifty four (54) questionnaires accompanied by a covering letter were sent to the heads of human resource departments of eighteen insurance companies using stratified random sampling method.

The unit of analysis in this study is the firm and multi-rater (multi respondents) response approach was adopted. Gerhart et al. (2000) contended that SHRM effects based on single respondent surveys were significantly undermined by the presence of measurement error in the SHRM measures. To minimize this error, three (3) questionnaires were sent to each company and it was addressed to the head of Human Resource Department who was required to be part of the three respondents. For each company, the composition of the respondents is: the head of HR Department, one senior HR staff and one other senior management staff outside the HR Department.

Since, the unit of analysis is the firm, the scores for each variable was aggregated and average over the three respondents for each company. For companies where the number of expected respondents is less than three, the average scores of the actual respondents were taken for each variable.

Definition and Measurement of Variables

Dependent variables

Corporate performance is measured by the following variables: growth rate of revenue, financial strength (liquidity, reserve, borrowing capacity, e.t.c.), return on equity, return on assets and profitability. The variables are closely related conceptually to some of the hypothesized precursors of performance, such as HRM practices (Bae et al., 2003; Katou and Budhwar, 2007). These indicators are rated anonymously by the respondents on a 5-point likert scales (1 =Very Poor; 5 = Very Strong) and each rating is done in relation to the perceived performance of indicator of the best performing organization(s) in the industry to which the firm belongs. Respondents are asked the following questions: “compared to the performance of best performing organizations in your industry in Nigeria, how does your organization rate on each of the following in the last five years?” The ratings of all the indicators are aggregated and averaged across the respondents from the organization to derive an organization’s score on the index of relative perceived corporate performance.

Independent variables

The independent variables (which collectively are a measure of SHRM practices) in this study are : strategic HRM

alignment with business objectives and strategies, line management devolvment and line management training in HR practices, selection system, performance appraisal system, training and development system, compensation system, and career planning system. The items were derived from a comprehensive review of the literature on strategic HRM practices that are considered to relate to firm performance.

‘Strategic HRM alignment’ with business objectives and strategies is measured by ten (10) items, each rated on a 5-point scale ranging from 1 ‘not at all’ to 5 ‘to a great extent’. A sample questions is ‘HRM strategy is formulated based on your company’s vision and mission’.

The ‘Line management devolvment’ variable is measured by asking respondents to indicate the involvement of line managers in the execution of five HR practices chosen on the basis of findings from previous research (e.g. Budhwar, 2000). Items are worded to emphasize the involvement of line managers in the execution of the following HR practices: ‘recruits new people’, ‘select applicants’, ‘train employees’, ‘execute performance assessments’ and design job roles’. An index is constructed by adding the five HR practices. Companies that indicate the

involvement of line managers in one HR practice are scored a 1, two practices a 2, and so on, up to 5. The range of the line management devolvment index is thus 0 to 5.

The ‘Line management training in HR practices’ variable is measured by asking respondents to indicate the proportion of line managers trained in the firm to execute HR practices. The percentage of line managers training is scored on an ordinal scale from 1 ‘less than 10%’, to 10 ‘more than 90%’. Firms that do not train its line managers in human resource practices are scored zero.

‘Selection system’ is measured by an instrument having 5 items each rated on a 5-point scale. The respondents are asked to indicate on a scale of 1 ‘strongly disagree’ to 5 ‘strongly agree’ the importance their organizations attached to the usage of selection tools and tests. A sample question is ‘the selection system followed in our company are highly scientific and rigorous’.

‘Performance appraisal’ was measured through an 8-item scale. The respondents are asked to indicate the extent to which performance is evaluated on the basis of quantifiable results and usage of performance appraisal data. In other words, they are to indicate on a scale of 1 ‘strongly disagree’ to 5 ‘strongly agree’ their agreement with some performance

appraisal system practices in their organizations. A sample question is 'performance of the employees is measured on the basis of objective quantifiable results'.

'Compensation' system is measured through a scale having 5 items. The respondents were asked to indicate on a scale of 1 'strongly disagree to 5 'strongly agree' the extent to which compensation is linked to the performance and qualification of employees in their organizations. A sample question is 'in our company salary and other benefits are comparable to what is generally obtainable in the industry'.

'Training and development' variable is measured by an instrument having 7 items, each rated on a 5-point scale. The respondents are asked to indicate on a scale of 1 'strongly disagree to 5 'strongly agree' the extent to which training and development needs in their organizations are identified and met. A sample question is 'employees in each job will normally go through training programs every year'.

'Career planning system' variable is measured by an instrument having 7 items, each rated on a 5-point scale. The respondents are asked to indicate on a scale of 1 'strongly disagree to 5 'strongly agree' the clarity and usage of career planning system in their organizations. A sample question is 'our company provides

clear career path information to employees'.

Control variables

Wall and Wood (2005) emphasized the need to control for third factors (also called nuisance factors); that is, variables that may account for an association between strategic human resource management practices and organizational performance. Based on objective of this study, organizational climate was identified and control for.

Organizational climate was measured through a set of questionnaire that we developed based on the eight organizational climate dimension proposed by Koys and De Cotiis (1991). It was specifically measured by an instrument having 12 items, each rated on 5-point likert scale. The respondents were asked to indicate their degree of perceptions about their workplace environment covering the following eight dimensions: autonomy, cohesion, trust, resource, support, recognition, fairness and innovation.

Analytical Procedures

Data collected is subjected to two main types of analysis. In order to gain perspectives into the socio-demographic characteristics of respondents, frequency distribution of responses is calculated

while descriptive statistics is employed in determining the extent of strategic HRM practices in the companies under scrutiny. Other analytical procedures adopted include the correlation analysis and regression which are used as tools to refute or validate the research hypotheses.

Results and discussions

Of the 54 questionnaires distributed to 18 companies, a total of 32 completed and usable questionnaires from 12 companies representing a response rate of about 77 percent are returned.

To address issues of possible common method variance, Cronbach Alpha reliability test is conducted for all the measures. Reliabilities are checked and they fall between 0.68 and 0.77, which is satisfactory for study that is exploratory in nature (Nunnally, 1978). The overall Cronbach alpha of the scales used in this study is 0.71. This indicates the reliability of the scales is reasonably high thus, depicting high internal consistency among the measurement items.

Demographic Characteristics of the Respondents

Table 1 shows the demographic characteristics of the respondents. Majority of the respondents (94 percent) possess educational qualification higher than diploma or its equivalent and about 78 percent of the respondents are in the rank of senior manager and above. This is an indication that the respondents are highly rated employees who should know more about the human resource management practices of their respective companies.

About 91 percent of the respondents have put in at least 5 years of service and majority of them (75 percent) are married. About 91 percent of the respondents are at least than 30 years old.

In general, the study gives a favourable picture concerning the level of education of the respondents. A substantial proportion of the respondents have at least a first degree. This is an indication that the respondents are composed of highly educated people.

Majority of the respondents have put in at least five years of service. This is also an indication that the respondents have actually spent enough time in the service to know how strategic the management of their companies is.

Table 1: Demographic Characteristics of the Respondents (N = 32)

Characteristics	Frequency	Percentage
Level of Education		
Diploma or its equivalent	2	6

B.Sc or its equivalent	10	31
Master Degree	20	63
Total	32	100
Job Title		
Assistant managers	7	22
Senior Managers	18	56
General Managers & Above	7	22
Total	32	100
Years of Service		
1 – 4 years	3	9
5 – 10 years	17	53
10 years & above	12	38
Total	32	100
Marital Status		
Single	6	19
Married	24	75
Divorced/separated	2	6
Total	32	100
Age of Respondents		
21 – 30 years	3	9
31 – 40 years	19	60
41 years & above	10	31
Total	32	100

Source: Field Survey, 2010

Test of hypotheses

Hypothesis One: Effect of Strategic HRM Practices on Organizational Performance

As shown in Table 1, there is a strong positive relationship between strategic HRM practices and organizational performance with a multiple correlation (R) of 0.997. The adjusted R^2 of 0.962 implies that 96.2% of the variations in organizational performance are adequately

explained by strategic HRM practices used in this study.

The results also show that strategic HRM alignment with overall corporate objectives and line management devolvment has a positive effect on organizational performance with coefficients of 0.63 and 0.93 respectively. Line management training and selection system were also found to have a positive effect on organizational performance with coefficients of 0.07 and 1.05 respectively.

Table 2: Regression Results on Perceived Organizational Performance

<i>Independent Variables</i>	<i>Standardized Coefficients</i>	<i>t-values</i>
Strategic HRM Alignment	0.626	3.614
Line Mgt. Devolvement	0.934	4.130
Line Mgt Training in HR	0.070	0.340
Selection System	1.046	2.896
Training & Development	-0.268	-1.224
Compensation System	0.672	2.122
Career Planning System	0.160	0.507
Job Definition	-1.181	-3.958
Organizational Climate	0.157	1.504
R	0.997	
R ²	0.993	
Adjusted R ²	0.962	
F	32.283	
N	12	

Source: Author's Computations using SPSS, 2010

Compensation and career planning systems are also found to have a positive effect on organizational performance with coefficients of 0.67, 0.16 respectively.

Surprisingly, training and development and job definition were found to have a negative effect on organizational performance with coefficients of - 2.68 and - .1.181 respectively.

Performance appraisal system with standardized coefficient of 11.78 and a t-value of 8.06 was excluded from the model estimation.

At 5 percent level of significance, the F-statistic shows that the model is useful in determining if any significant relationship exists between strategic HRM practices and organizational performance. Overall, results therefore, suggest that SHRM practices have significant effect on the performance of insurance companies in Nigeria, thereby, providing support for alternative hypothesis one.

Hypothesis Two: Extent of Strategic Human Resource Management Practices

Table 3 presents the descriptive statistics of the variables. The mean score of the strategic HRM alignment with the overall organizational goals and objective is 40.92 out of a possible maximum score of 50, suggesting a high (81.8%) extent of strategic HRM alignment with the overall business objectives.

To assess the tendency of organizations to devolve human resource practices to line officers, two criteria are used, namely, the involvement and training

of non-personnel officers (e.g. Accountants) in human resource practices. Based on a possible maximum score of 5 in five HR practices, the results reveal that line managers executed a mean of 4.25 (85%) human resource practices indicating an impressive involvement of line managers in the execution of human resource management practices.. In terms of the second criterion for devolvement (i.e. training provided to line managers to execute HR practices), the finding shows a low level of training given to non-personnel officers as only 30% of line managers are trained to execute HR practices.

Table 3: Descriptive Statistics of the Measurement Variables

Measurement Variables	Mean	Standard Deviation
Strategic HRM alignment	40.92	6.345
Line Management Development	4.25	0.622
Line Management Training	1.64	1.536
Selection System	15.75	4.413
Training and Development	24.83	4.783
Performance appraisal system	25.17	8.266
Compensation System	16.64	3.086
Career Planning System	24.50	5.385
Organizational Climate	39.50	2.195
Organizational Performance	15.58	3.801

Source: Author's Computations using SPSS, 2010

Employee selection system records a mean score of 15.75 (63%) out of possible maximum score of 25. The result indicates

a moderate fit between the prospective employee's abilities and qualifications and the organization's requirements. Training

and development on the other hand, has a mean score of 24.83 (70.9%) out of a possible maximum score of 35 depicting a high level of employees' participation in training and development programs.

The mean score of performance appraisal system is 25.17 (53%) out of a possible maximum score of 40. Results reveal that personnel appraisal system currently being practiced is not too impressive to be able to allow the companies to monitor the development of desired employee attitudes and behaviours through the use of the appraisal mechanism. Compensation system has a mean score of 16.64 (66.6%) out of a possible maximum score of 25 depicting an impressive fit between perceived compensation system in the Nigerian insurance sector and the overall industry policy on compensation of workers.

The mean scores of career planning system and job definition are found to be 24.50 (70%) and 13.67 (68.4%) out of a possible maximum scores of 35 and 20

respectively. The results indicate a high level of effective career planning system and employee participation within the Nigerian insurance sector.

Hypothesis Three: Relationship between Strategic HRM Practices and Organizational Performance

As shown in Table 4, the zero-order correlation between line management devolvment and organizational performance is $r = 0.71$. Similarly, training and development and compensation system have an insignificant positive relationship with organizational performance with a correlation (r) of 0.51 and 0.34 respectively.

Strategic HRM alignment and line management training in HR have a significant positive relationship with organizational performance with a correlation (r) of 0.71 and 0.74 respectively. Selection system is also found to be positively correlated with organizational performance with a correlation (r) of 0.64.

Table 4: Correlation Matrix of the Measurement Variables

<i>Variables</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1.Strategic HRM Alignment	1.00	-.11	.55	.41	.55	.38	.72	.67	.66	.71
2. Line Mgt. Devolvment		1.00	.20	-.04	-.02	.33	-.38	.23	.15	.39

3. Line Mgt Training in HR	1.00	.82	.82	.83	.64	.82	.89	.74
4. Selection System		1.00	.78	.88	.48	.85	.77	.64
5. Training & Development			1.00	.72	.76	.75	.92	.51
6. Performance Appraisal				1.00	.39	.91	.83	.73
7. Compensation System					1.00	.47	.76	.34
8. Career Planning System						1.00	.85	.86
9. Job Definition							1.00	.64
10. Organizational Performance								1.00

Note: Bold correlations are significant at either 0.05 or 0.01 level of significance (two-tailed).

Source: Author's Computations using SPSS, 2010

Similarly, career planning system and job definition have a significant positive relationship with organizational performance with a correlation (r) of 0.86 and 0.64 respectively. These results provide preliminary support for hypothesis three.

Hypothesis Four: The relationship between strategic HRM practices and organizational performance in the Nigerian insurance industry is not influenced by organizational climate

Table I above shows that organizational climate has a positive effect on organizational performance with coefficient and significant values of 0.157 with 0.272 respectively. Though, the result is not too significant, it never the less, suggests that the relationship between strategic HRM practices and organizational performance in the Nigerian

insurance industry is moderately influenced by organizational climate.

Discussions

The results of this study indicate that SHRM is impressively being practice in the Nigerian insurance industry. HRM were found to be highly integrated into the overall organizational goals and objectives of the sampled companies. In contrast, the empirical evidence regarding devolvement reflects a mixed story. While line managers are highly involved in the execution of HR practices, on average the level of training given to line mangers to perform these practices is low (30 percent) which indicates that the transfer of HRM knowledge to line managers is somewhat limited. Insufficient training offered to line managers would greatly undermine the capacity of line managers to perform HR activities effectively. The other six practices were also found to be moderately practiced.

The results also indicate that though, all the strategic HRM practices tested in this study are found to be positively related to perceptual measures of organizational performance in the Nigerian insurance industry, only the following are statistically significant: : strategic HRM alignment, line management training, career planning system and job definition.

Overall the model is supported by data and the results suggest that strategic HRM alignment, line management training, career planning system and job definition are the key strategic HR practices that influence organizational performance in the Nigerian insurance industry. It therefore, implies that companies operating in the Nigerian insurance industry should pay more attention to these practices with a view to improving their implementation across the industry.

Conclusion

The results obtained from this study indicate that strategic HRM is moderately practiced by companies operating in the Nigerian insurance industry and that performance symbolized by growth rate of revenue, financial strength, return on equity, return on assets and profitability is reasonably enhanced by six out of the nine strategic HRM practices tested. The study, to this extent, has provided evidence for the value-added by strategic HRM through

the integration of HR function within the organization's key strategies and operations. Be that as it may, questions need to be asked on the results of moderate levels of involvement in Strategic HRM practices as against high levels reported elsewhere. Can this be simply passed off as problems of new concept, data specification, procedures or even interpretation? Can this result even be attributed to factors other than strategic HRM practices and organizational climate? These are questions that can be resolved under different settings. However, managers everywhere face the same challenges of tackling complex problems with limited resources, determining priorities, motivating staff, initiating change and demonstrating measurable results. Strategic HRM in concept and practice is about managers standing in the front lines to tackle these challenges to achieve organizational objectives. We should be reminded that people may know everything about line management devolvment but not practice it; people may know the virtues of employee participation but not apply it. It is therefore, down to commitment as the missing link.

To achieve employee commitment, the weather of the work place has to be supportive to lead to and sustain staff motivation and high performance (Litwin

and Stringer, 1968; Stringer, 2002). No doubt, Strategic HRM practices identified in this study should play this role creditably well and to act as catalyst, organizations should consider the benefits of integrating their HR function with its overall strategies and operations.

References

- Abdulkadir, D. S. (2009). Effects of Strategic Human Resource Management Practices on Perceived Financial Performance: Some Evidence from the Nigerian Financial Sector. *International Journal of Management Science*. Vol. 1, No. 2, Pp 29 – 35.
- Ainuddin, Raja Azimah Raja Omar and June, Meaw Ling Poon. (1998). Climate Dimensions of a Manufacturing Company - A Pilot Study. *Research and Publication Unit of MIM*. Volume 23 No 3, December 2010. Universiti Kebangsaan Malaysia. Retrieved April 5, 2010, 8.13 am from <http://Mgv.Mim.Edu.My/Mmr/8812/881205.Htm>.
- Alavi, H. R. and Jahandari, R. (2005). Organizational Climate of Kerman Shahid Bahonar University: Its Comparison with the Desired Organizational Climate from the View Points of the Personnel (staff) of the University. *Public Personnel Management*. Volume 34, No 3.
- Barak, M., Maymon T., and Harel, G. (1999). *Team Work in Modern Organizations: Implications for Technological Education*. *International Journal of Technology and Design Education* 9: 85-101
- Budhwar, P. (2000). Strategic Integration and Devolvment of Human Resource Management in the UK Manufacturing Sector. *British Journal of Management* 11(4): 285–302.
- Budhwar, P., and Khatri, N. (2001). HRM in Context: Applicability of HRM Models in India. *International Journal of Cross Cultural Management* 1(3): 333–56.
- Burton, R. M., Lauridsen, J. and Obel, B. (1998). *Tension and Resistance to Change in Organizational Climate: Managerial Implications for a Fast Paced World*. Retrieved on September 5, 2009, 9.32 am from <http://www.lok.cbs.dk/images/publ/Burton%20og%20Obel%20og%20Lauridsen%20tension%202000.pdf>.
- Buyens, D., and De Vos, A. (2001). Perception of the Value of the HR Function. *Human Resource Management Journal* 11(3): 70–89.
- Cheddie, M. (2001). How to Become a Strategic Partner. *HR Focus* 78(8): 1–14.

- Cunningham, J. B., and Deborah, Y. A.. (1995). Skills for Managing Human Resources in a Complex Environment: the Perceptions of Human Resource Managers in Singapore. *International Journal of Human Resource Management* 6(1): 79–101.
- David, W., Chin, H. O. and Victor, K. (2002). Strategic Human Resource Management and Organizational Performance in Singapore. *Compensation and Benefits Review*, 34: 33-42.
- Dimba B. and K'Obonyo P. (2009). The Effect of Strategic Human Resource Management Practices on Performance of Manufacturing Multinational Companies in Kenya: Moderating Role of Employee Cultural Orientations and Mediating Role of Employee Motivation. Proceedings of the *International Conference on Human Capital Management* in University of Nairobi, July 22 – 24.
- Ferris, G. R., Russ, G. S., Albanese, R., & Martocchio, J. J. (1990). Personnel/Human Resources Management, Unionization, and Strategy Determinants of Organizational Performance. *Human Resource Planning*, 13, 215-227.
- French, W. L, Kast, F. E. and Rosenzweig, J. E. (1985), *Understanding Human Behaviour in Organizations*, Haper and Row, New York.
- Gerhart, B., Wright, P.M., McMahan, G., and Snell, S.A. (2000), 'Measurement Error in Research on Human Resources and Firm Performance: How Much Error is There and How Does it Influence Effect Size Estimates?,' *Personnel Psychology*, 53, 4, 803–834.
- Green, W. K., Wu, C., Whitten, D., and Medlin, B. (2006). The Impact of Strategic Human Resource Management on Firm Performance and HR professionals' Work Attitude and Work Performance. *International Journal of human resource Management*, 8(3): 263-276.
- Hall, L., and Torrington, D. (1998). Letting Go or Holding On: The Devolution of Operational Personnel Activities. *Human Resource Management Journal* 8: 41–55.
- Halpin, A. W., and Croft, D. B. (1963). *The Organizational Climate of Schools*. Chicago: Midwest Administration Center of the University of Chicago.
- Huang T. (1998). The Strategic Level of Human Resource Management and Organizational Performance: An Empirical Investigation. *Asia Pacific Journal of Human Resources*. 36(2): 59-72.

- Huselid, M. A. (1995). The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance. *Academy of Management Journal*, 38, 635-670.
- James, L. R., & Jones, A. P. (1974). Organizational Climate: A Review of Theory and Research. *Psychological Bulletin*, 81(12), 1096-1112.
- Jensen, M. T. (2003). Organizational Communication: A Review. *Research and Development Report* No. 1, p. 1-106. Retrieved July 18, 2009, 9.28 pm from <http://www.agderforskning.no/rappor/82002046.pdf>.
- Kai, K., A., Brian, K. P. and Cherrie, J. Z. (2007). The Effect of SHRM Practices on Perceived firm Financial performance: Some Initial evidence from Australia. *Asia Pacific Journal of Human Resources*, 46; 168-179.
- Khatri, N. (1999). Emerging Issues in Strategic HRM in Singapore. *International Journal of Manpower* 20(8): 51-2.
- Koys, D. and De Cotiis, T. (1991), Inductive Measures of Organizational Climate, *Human Relations*, (44): 265 – 285.
- Litwin G. H. and Stringer R. A. (1968). *Motivation and Organizational Climate*. Cambridge: Harvard University Press.
- Milkovich, T. G., and Boudreau, W. J. (1998). *Human Resource Management*, 8th ed. Boston: Irwin.
- Neal, A., West, M. A., & Patterson, M. G. (2005). Do Organizational Climate and Competitive Strategy Moderate the Relationship Between Human Resource Management and Productivity? *Journal of Management*, 31(4), 492-512.
- Okpara J. O. and Pamela W. (2008). HRM Practices in a Transition Economy: Challenges and Prospects. *Management Research News*, Vol. 31 (1): 57 – 76.
- Pfeffer, J. (1994). *Competitive Advantage through People*. Boston: Harvard Business School Press.
- Pritchard, R. D., and Karasick, B. W. 1973, 'The Effects of Organizational Climate on Managerial Job Performance and Job Satisfaction', *Organizational Behavior and Human Decision Processes*, vol. 9, no. 1, pp. 126-146.
- Schuler, R., and Jackson, S. (1999). Linking Competitive Strategies with Human Resource Management Practices. In *Strategic human resource management*, eds R. Schuler and S. Jackson, 159-76. Oxford: Blackwell Publishers Ltd.
- Schuler, R.S. (1992). Linking the People with the Strategic Needs of the Business.

- Organizational Dynamics* Summer: 18–32.
- Singh, K (2004). Impact of HR Practices on Perceived Firm Performance in Indian. *Asia Pacific Journal of Human Resources*. 42: 301 - 317
- Som A. (2008). Innovative Human Resource management and Corporate performance in the Context of Economic Liberalization in India. *Thunderbird International Business Review*, 49(2): 1-33.
- Stringer R. A. (2002). *Leadership and Organizational Climate: The Cloud Effect*. Upper Saddle River, NJ: Prentice Hall.
- Teo, S. (2002). Effectiveness of a Corporate HR Department in an Australian Public Sector Entity during Commercialization and Corporatization. *International Journal of Human Resource Management* 13(1): 89–105.
- Terpstra, D. E., and Rozell, E. J. (1993). The Relationship of Staffing Practices to Organizational level Measures of Performance. *Personnel Psychology*. 46: 27-48.
- Tessema, M. T., and Soeters, J. L. (2006). Challenges and Prospects of HRM in Developing Countries: Testing the HRP-Performance Link in Eritrea Civil Service. *International Journal of Human Resource Management*, 17(1): 86-105.
- Wall, T. D. and Wood, S. J. (2005). The Romance of Human Resource Management and Business Performance, and the Case of Big Science, *Human Relations*, 58(4):429 – 462.
- Wright, P. M., and McMahan, G. C. (1999). Theoretical Perspectives for SHRM. In *Strategic Human Resource Management*, (Eds.) R. Schuler and S. Jackson, 49 –72. Oxford: Blackwell Publishers Ltd.
- Zammuto, R. F. and Krakower, J. Y. (1991). Quantitative and Qualitative Studies of Organizational Culture. *Research in Organizational Change and Development* 5, p. 83-114.

