

# Impact of Training and Career Development on Organizational Performance of Insurance Companies in Nepal

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## Abstract

This study aims to examine the performance of best and non-best practicing in insurance companies in Nepal. To measure the impact of specific training, career development, incentives and job security on organizational performance of insurance companies in Nepal. For this study, all the listed insurance companies has been considered as population and 9 life out of 17 and nine non-life out of 17 non-life insurance companies in Nepal. The data has been obtained from selected sample of life and non-life insurance companies equally. The employees (administrative staff and who look after the HR activity) and HR manager has taken as respondents. The targeted populations are the employees of the insurance companies in Nepal within the Kathmandu valley. This study has covered different level of employee from 18 insurance companies including life and non-life. The total no. of respondents considered for analysis is 122 for analyzing relationship between training and development and organizational performance of Nepalese insurance companies. 150 Five-likert scale questionnaire were distributed and collected 122 respondents' responses.

The mean value of responses from respondents ranged from 2.47 to 4.2. No factors. No factors scores fall into the extremely agree(>4.4) and extremely disagree(<1.3). This may be due to more natural indicators on the part of respondents to avail extremes of subjective options than to categorical absence of any extremely agree and disagree. The  $R^2$  is 0.324 meaning that 32.4% explain to dependent variable organizational from by the training and development and other independent variable included in the model.

**Keywords:** Training, Career development, Organization, Performance, HR practices

## Introduction

Training and development may be related to firm performance in many ways. First, training programmes increase the firm specificity of employees' skills, which, consecutively, increases employee productivity as well as reducing job dissatisfaction that results in employee turnover (Huselid 1995). Second, training and developing internal personnel reduces the cost and risk of selecting, hiring and internalizing people from external labour markets, which again increased employee productivity and reduces turnover. Training and development, like job security, requires a certain degree of reciprocity: A company that systematically trains and develops its employees tells them that their market value develops more favorably than in other firms. This increases employees' productivity, commitment and lowers turnover.

Companies may also assist their employees in career planning. In doing so, companies encourage employees to take more responsibility for their own development, including the development of skills viewed as significant in the company (Doyle 1997).

Traditional personnel administration emphasizes on staffing, rewarding and work design but not on personnel development. A specific management philosophy that values labour as the major asset of an organization is strategic HR management (Pieper, 1990). Human resources (HR) are considered to be the most valuable asset in an organization but they make a better bottom line only for a few organizations (Pfeffer 1998; Wimbush 2005). The extent to which, if any, human resource management (HRM) impacts on organizational performance has emerged as the central research question in the HRM field (Becker and Gerhart 1996; Guest 1997). Although initial results indicate that some human resource practices may have a positive effect on organizational performance, most scholars suggested that more conceptual and empirical work is required (Brewster 2004; Cardon and Stevens 2004; Givord and Maurin 2004; Zhu 2004).

Dyer and Reeves' (1995) categorization of outcomes suggest that (a) some outcomes, such as HR outcomes, are more proximal to HR practices than others, and (b) the impact that HR practices have on more distal outcomes are through the impact on more proximal outcomes. These two points cumulatively suggest that to understand how HR practices affect profitability, one would need to see what impact they have on proximal outcomes (HR outcomes) that have an impact on more distal outcomes (organizational outcomes) and consequently have an impact on the most distal outcomes (profits).

A growing body of empirical research has examined the effect of certain HR practices on organizational performance. A large number of empirical evidence suggests that the HR practices proposed by Pfeffer (1998) have a significant effect on various settings. For instance, Ahmad and Schroeder (2003) attempted an empirical test across countries and industries. The findings provide overall support for Pfeffer's HR practices. There are some debates on the effect of HR practices on organizational performance, HR practices may lead to higher firm performance and be sources of sustained competitive advantage because these practices are often unique, causally ambiguous and difficult to imitate (Barney 1991; Wright, Dunford and Snell 2001; Voss, Tsikriktsis, Funk, Yarrow and Owen 2005). Essentially, as confirmed by a growing body of empirical evidence, not every HR practice can be a source of sustained competitive advantage (Guest 1997; Ahmad and Schroeder 2003; Cardon and Stevens 2004; Givord and Maurin 2004; Barringer, Jones and Neubaum 2005). Although initial results indicate that some human resources practices may have a positive effect on organizational performance, most scholars suggest that more conceptual and empirical work is required (Brewster 2004; Cardon and Stevens 2004; Givord and Maurin 2004; Zhu 2004).

In Nepal very few research are conducted in the field of HRM like; Adhikari's study (1992) on "Human Resource Management for Public Enterprises: A model for Designing Job in Nepalese Factories" concluded that the prevalent character of today's technology and the current level of education limit the extent of the requirements needed by workers on the shop floor. He found that in some factories the main reasons for a difference in attitude between supervisors and non-supervisors were due to a variation in demographic factors such as age, years of experience and numbers of dependents. On some of the shop floors, workers were enjoying challenging and meaningful work. In factories where there were few demands from the workers, simple and specialized jobs were preferred by these workers were not motivated. Workers behaved differently when they did something slightly difficult and were offered

a variety of work.

### Review of literature

In organizations, the training remains as a major activity of human resource development (HRD) practice (Nordhaug, 1989) for employee development and their competencies building (Gritz, 1993). To perform effectively, at a managerial position, employees go through dynamic process of training and development (Baldwin & Padgett, 1994). Training activities are considered as an integral exercise to acquire competitive advantages over the competition (Barney, 1995). In this competitive world, one of the key strategies to attain competitive advantage is, conducting trainings properly which helps to achieve organizational objectives (Dobson & Tosh, 1998) by increasing organizational and employees productivity (Ng & Siu, 2004).

Training organized for bilateral benefits (employees and organization) contributes to high effectiveness (Noe, 1986). Enhancing employees' performance is a high demanding and continuous practice that enables organizations to compete within the competitive marketplace. It is possible when employees' attitude, knowledge and skills are developed on a regular basis. Although training is an expensive activity yet it can give various advantages, like improved employee performance, increased productivity and employee development (Elangovan & Karakowsky, 1999).

### Methodology

The structured questionnaire have been developed focusing to best HR practices and organizational performance. Several methodological reviews have been made in this chapter. In a survey, data can be collected by using different type of approaches (Sekaran & Bougie, 2010). In this study data were collected through distribution of questionnaire.

This study has followed descriptive and comparative research design to investigate and examine the use of HR best practices and their relation with organizational performance in the insurance industry of Nepal. For this study all the listed insurance companies has been considered as the population and 9 life out of 17 and 9 non-life insurance companies out of 17 has been selected as sample companies. The data has been obtained from selected sample insurance companies. The employees (administrative staff and staff who look after the HR activity) and HR manager has been taken as the respondents. Currently there are 34 insurance companies operating in Nepal out of which 17 companies provide life insurance while 17 companies provide non-life insurance. The total number of observation for this study consist 150 respondent and 16 insurance companies for analyzing the relationship between HRM practices and organizational performance in Nepalese Insurance Companies, 5 point Likert questionnaire were distributed and collected responses from 122 respondents.

### Sample Size

The sample companies have been selected purposively. The total number of sample is 9 life insurance companies out of 17 and 9 non-life insurance companies out of 17 has been selected as sample companies. Sample size determination: Probability of picking respondent from life insurance companies 0.5 and from non-life insurance companies is 0.5; the following methodology has used to calculate the sample size:

$$\text{Necessary Sample Size (n)} = z^2 \frac{p \cdot q}{em^2}$$

Where,

Z= Z value taken at 90% confidence level that is 1.645

P = .5                      q = .5

Em = error margin taken at 10%.

The sample size (n) comes at 68. In view of possibility of non-response 150 questionnaires have been distributed. All together 150 employees have been defined as respondents Out of them only 122 responses have been collected which have been useable since it is above 122. It is taken as good response and therefore representative. The response rate is 81.33% and is considered sufficient for further analysis.

Data has been obtained from a selected sample of insurance companies. Rigorously, the primary data has been used for the study and primary data has collected distributing the structured questionnaires assuming that it has had in a position to provide accurate information regarding HR Practices on organizational performance. This study has used absolutely primary data to draw the conclusions of the research. Five point Likert scale structured questionnaire have been used to collect the data. Questionnaire consists of three parts. First part is seeking demographic information. This part asks information related to name, sex (male/ female), name of the organization, level or position hold (lower/ middle/ higher) and work experience. Second part is related with the variable HR practices and training and development.

### Model Specification

This study predominantly compacts with the structural analysis of the impact of training and development on organizational performance on insurance companies of Nepal. For the purpose of examining the factors of training and development on organizational performance, the empirical models have been specified. It is a measure relating a quantity or quality of output to the quantity of inputs required to produce it. It can measure in terms of perceptions employees of insurance companies in Nepal.

OP = f ( STR, CD, INC, JS )

A multiple regression model has been employed to measure the significant impact of independent variable on dependent variable.

OP =  $\beta_0 + \beta_1 \text{STR} + \beta_2 \text{CD} + \beta_3 \text{INC} + \beta_4 \text{JS} + \dots + e_i$

where,

OP: Organizational performance

TR: Specific Training

CD: Career Development

INC: Incentives

JS: Job security

### Result and discussion

Training and development is one of the major HR practices among the large menu of HR practices. Training is basically related with transfer of skills and knowledge to the employees who are essential for the workplace. Training programmes increase the specificity of employee skill which consecutively increases employee productivity as well as reducing job dissatisfaction (Huselid, 1995). Training and development of internal employees reduce the risk of selecting hiring and internalizing people from

external labour markets (Vlachos, 2008). Brewster (2004) has found that training and development budget increase significantly in the USA and Europe. Training and development domain can be tested with the use of various factors but this study consisted career development support, systematic training and development, skill development in one and various factors, on the job training, motivation for formal training, networking, peer learning, continuous need assessment, training budget, regularity of training and job related skill development. These factors are adopted from the work of Vlachos (2008), Dessler & Varkkey (2009) & Cascio (2003).

**Descriptive Statistics of training and development at Insurance Companies of Nepal**

	N	Mean		Std. Deviation	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Provides career development support	122	3.02	.113	1.243	.219
Systematically trains and develop employees	122	2.73	.107	1.179	.219
Provides training in one key skill to develop expertise	122	2.32	.099	1.093	.219
Trains employees to gain many skills and abilities for all-round development	122	2.56	.114	1.260	.219
Offers on the job training	122	2.13	.102	1.128	.219
Provides resources and motivation for formal training and networking with other organization	122	2.44	.109	1.206	.219
Uses team to encourage peer learning	122	2.61	.113	1.250	.219
Encourages continuous need assessment	122	2.75	.108	1.194	.219
Have sufficient training budget	122	2.86	.126	1.387	.219
Formulates formal programme to new employment	122	3.00	.111	1.226	.219
Provides training opportunity every year for career development	122	2.28	.096	1.062	.219

Source: Survey, 2024

The table shows the responses indicated higher degree of agreement with the statements we provide career development support, it systematically train and develop our employees, it train employees to gain many skills and abilities for all-round development, we offer on the job training, it provide resources and motivation for formal training and networking with other professionals and we encourage needs assessment with the mean value 3.02, 2.73, 2.32, 2.56, 2.13, 2.44, 2.61, 2.75, 2.86, 3.00 and 2.28 respectively. Responses indicated moderate degree of agreement with the statements we provide training in one key skill to develop expertise, it use team to encourage peer learning, we have sufficient training budget, employees will normally go through training program every few year and there are formal training programs to teach new employees the skills they need to perform their jobs with the mean value 3.02, 2.73, 3.47, 2.32, and 3.49 respectively and no responses indicated disagreement in the statements provided to them related to training and development. The overall mean value is 2.83. It means that Nepalese Insurance Industries has encouraging investment and consideration in the training and development of their employees through on the job and off the job training. While analyzing the mean

values of the responses segregating into Joint venture and other educational institution have career development support and they train and develop systematically to their employees but they do not train the employees for the development of expertise but for the all-round development.

**Regression Result: Organizational performance as dependent variable**

A multiple regression analysis is used to identify the factors affecting organizational performance respect to other independent variable prescribed in the model. For the analysis, organizational performance (OP) has taken as dependent variable, Specific training (ST), Career development (CD), Incentives (INS) and Job security (JS) as independent variable.

The deterioration consequences of perceived issues of organizational performance show that the sign of all the independent variables are as per priority and expectation. The computed F-statistic is also higher than table value at 99% level of significance indicating that there is a presence of relationship, as adjusted R<sup>2</sup> is 0.3246, it explains the variation in dependent variable is explained to the extent of 32.46 % by the independent variables included in the model. Therefore, null hypothesis is not accepted, which means that residuals are not auto correlated.

**Table: 2 Regression Result: Organizational performance as dependent variable**

OP = 2.387	+0.08734**ST	+ 0.09876**CD	+0.11324** INC	+ 0.09273* JS	+ ei
[2.54327]	[0.054321]	[0.06574]	[0.76843]	[0.058976]	
{0.23452}	{0.12456}	{0.32456}	{0.06785}	{0.987623}	
Obs; 122	F – statistics (4,118 ): 43.6675*			Adj R <sup>2</sup> : 0. 3246	
Df; 118	Durbin Watson d test: 1.9978				
<b>Normality test:</b>	Jarque - Bera=J-B stat: 3.4652 (p-value: 0.005435)				
<b>Multicollinearity test:</b>	<b>Variables</b>	<b>VIF</b>			
	Specific training	0.3564			
	Career Development	2.3452			
	Incentives	1.75423			
	Job security	0.6754			

Figures in parentheses [ ], indicates standard error and { } indicates t-statistics of the concerned variables and p-values

(\*) Significant at (0.01) 1% level

(\*\*) Significant at (0.05) 5% level

(\*\*\*) Significant at (0.10) 10% level

H<sub>1</sub>: There is significant and positive relationship between specific training and organizational performance.

There is significant and positive relationship between specific training and organizational performance of insurance companies in Nepal. The coefficient of Specific training on organizational performance is 0.08734 meaning that one percent point change in specific training will leads changes in organizational performance by 8.734 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between specific training and organizational performance of selected insurance companies in Nepal.

H<sub>2</sub>: There is significant positive relationship between Career development and organizational

performance of insurance companies in Nepal.

There is significant and positive relationship between career development and organizational performance of insurance companies in Nepal. The coefficient of Specific training on organizational performance is 0.09876 meaning that one percent point change in career development will leads changes in organizational performance by 9.876 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between career development and organizational performance of selected insurance companies in Nepal.

H<sub>3</sub>: There is significant positive relationship between perceived incentives and the perceived organizational performance of selected insurance companies in Nepal

There is significant and positive relationship between incentives and organizational performance of insurance companies in Nepal. The coefficient of Specific training on organizational performance is 0.11324 meaning that one percent point change in specific training will leads changes in organizational performance by 11.324 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between incentives and organizational performance of selected insurance companies in Nepal.

H<sub>4</sub>: There is significant positive relationship between perceived job security and organizational performance of insurance companies in Nepal.

There is significant and positive relationship between job security and organizational performance of insurance companies in Nepal. The coefficient of Specific training on organizational performance is 0.09273 meaning that one percent point change in specific training will leads changes in organizational performance by 9.273 percent point. The null hypothesis has been rejected and satisfies that there is positive and significant relationship between specific training and organizational performance of selected insurance companies in Nepal.

## Findings and Discussion

The primary purpose of this study was to evaluate the impact of training and development practices on Organizational performance of Insurance Industries in Nepal. The following are the major findings of the study from the set objectives.

1. The analysis showed systematically train and develop our employees, we train employees to gain many skills and abilities for all-round development, we offer on the job training, we provide resources and motivation for formal training and networking with other professionals and we encourage needs assessment with the mean value 3.02, 2.73, 2.32, 2.56, 2.13, 2.44, 2.61, 2.75, 2.86, 3.00 and 2.28 respectively.
2. Responses indicated moderate degree of agreement with the statements we provide training in one key skill to develop expertise, we use team to encourage peer learning, we have sufficient training budget, employees will normally go through training program every few year and there are formal training programs to teach new employees the skills they need to perform their jobs with the mean value 3.02, 2.73 ,3.47, 2.32, and 3.49 respectively and no responses indicated disagreement in the statements provided to them related to training and development.
3. The overall mean value is 2.83. It means that Nepalese Insurance Industries has encouraging investment and consideration in the training and development of their employees through on the job and off the job training.
4. While analyzing the mean values of the responses segregating into Joint venture and other Insurance

sIndustries have career development support and they train and develop systematically to their employees but they do not train the employees for the development of expertise but for the all-round development.

5. The responses indicate higher degree of agreement with the statements we primarily hire the applicants that currently possess the necessary knowledge and skills with the mean value 2.78.
6. If Nepalese Insurance Industries invests a significant amount in selecting right people. Regression coefficients of training and development are positive and significant. It may mean that proper investment on training and development increases significantly the organizational performance.
7. Training and development is positive and significant with overall performance of the Insurance Industries of Nepal.

.Regression coefficients of training and development are positive and significant. It means that proper investment on training and development increases significantly the employee satisfaction, employee commitment and productivity. And it is negatively but significantly related to employee turnover, It may mean that if Nepalese insurance industries invests in the training and development, they can reduce employee turnover. Training and development is positive and significant with overall performance of the insurance industry of Nepal. This study's findings are consistent with prior studies (Bartel, 1994; Black & Lynch, 1996; Huselid, 1995; Doley, 1997; Paul & Anantharaman, 2003; Egri, 2005 & Gittell, et.al. 2010).

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