

Human Resource Management in Indian Insurance Industry: A Case of Max Life Insurance**Preeti Maglani**

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Abstract

Competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practices. In this study, we intended to assess the HR practices in private insurance companies operating in India. Primary data based on two sets of 250 respondents from Max India Ltd (12 branches in NCR region) was analyzed to assess HR practices being practiced by insurance companies in India. Factor analysis brought out six factors those were further analyzed. 'Training and Development', 'HR planning and recruitment' and 'Competitive Compensation' were found highly in practice in the insurance company. Further, 'performance appraisal', 'Organisation Development' and 'Counselling' were moderately practiced in insurance companies. Chi square and mean results showed that HR practices are competitive or performance based. Interactive effects were significant on workforce diversity and contemporary issues, training and benefits, and selection and socialization of employees.

Keywords: Human resources; Training and Development; Performance appraisal; Competitive compensation; Human Resource Planning; Organisation Development

Introduction

Insurance is the business of providing protection against financial aspects of risk such as those to property, life, health, and legal liability. The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. In India, insurance has a deep-rooted history. Insurance in various forms has been mentioned in the writings of Manu (Manusmriti), Yagnavalkya (Dharmashastra) and Kautilya (Arthashastra). The fundamental basis of the historical reference to insurance in these ancient Indian texts is the same i.e. pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. The early references to Insurance in these texts has reference to marine trade loans and carriers' contracts. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – past few centuries – yet its beginnings date back almost 6000 years.

Today, there is insurance for many aspects of daily living: business, auto, health, life, and travel. Each of these categories includes sub-categories, branching off into numerous divisions. The life of human beings and the assets that they possess during the lifetime are continually exposed to loss or damage. Uncertainty in life and in commerce and industry is a fact. People are aware of this uncertainty and hence, show a strong desire for security both for their lives and possessions. Insurance is a contract whereby insurers pay for the financial losses suffered by the insured because of unforeseen events and as a return for the payment of a premium by the insured (Rao, 2005).

Max Life Insurance

Max Life Insurance previously known as Max New York Life Insurance Company Ltd. was a joint venture between Max India Limited, one of India's leading multi-business corporations and New York Life International, the international arm of New York Life, a Fortune 100 company. The company has positioned itself on the quality platform. In line with its vision to be the most admired life insurance company in India, it has developed a strong corporate governance model based on the core values of excellence, honesty, knowledge, caring, integrity and teamwork.

Incorporated in 2000, Max New York Life started commercial operation in April 2001. In line with its values of financial responsibility, Max New York Life has adopted prudent financial practices to ensure safety of policyholder's funds. The Company's paid up capital as on 31st August, 2010 is Rs 1,973 crore. Max New York Life has multi-channel distribution spread across the country. Agency distribution is the primary channel complemented by partnership distribution, Bancassurance and dedicated distribution for emerging markets. The Company places a lot of emphasis on its selection process for agent advisors, which comprises four stages - screening, career seminar, P200 administration & evaluation and final interview. The agent advisors are trained in-house to ensure optimal control on quality of training. Max New York Life has put in place a unique hub and spoke model of distribution to deepen our rural penetration. This is the first time such a model has been put in place for rural marketing of insurance. In 2012, New York Life wanted to concentrate on their domestic market ie. USA. Thus has decided to exit Indian market too after the selling their shares in other asian countries. There has been no change in the process and practices of HR post exit.

Under constant pressure to improve results and stay competitive, contemporary companies must seek ways to become more efficient, productive, flexible and innovative. To achieve this, leaner organizational structures are needed which means that, each employee carries more responsibility than in the past and is therefore of greater value to the employing organization (Gubman, 1998). The ways of gaining competitive advantage through focusing on company's financial, strategic, and technological capabilities have to be supplemented with organizational capability i.e. the firm's ability to manage people to gain competitive advantage (Ulrich and Lake, 1990). Organizational capability relates to hiring and retaining competent employees and developing competencies through effective human resource management practices (Ulrich and Lake, 1991). According to Pfeffer (1995), for the strategic advantage of a firm it relies not only on technology, patents or strategic position but on how it manages the workforce. High performance work practices provide a number of important sources of

enhanced organizational performance (Pfeffer and Veiga, 1999). HR systems have important, practical impacts on the survival and financial performance of firms, and on the productivity and quality of work life of the people in them (Cascio, 2006). In an effort to enhance their competitiveness, some firms have instituted high performance work practices. A substantial amount of research has been conducted on the relationship between productivity and high performance work practices, such as the use of valid staffing procedures, organizational cultures that emphasize team orientation and respect for people, employee involvement in decision making, compensation linked to firm or worker performance, and training.

Objectives and Importance of the Study

The main objective of the study undertaken by the researcher was to assess the Human Resource Management practices being practiced in insurance companies in general and Max Life Insurance Company Limited in particular. To achieve the main objective, the following sub objectives were set:

1. To assess the practices regarding Human Resource Planning and recruitment.
2. To identify selection and socialization practices in insurance companies.
3. To assess the practices regarding training in insurance companies.
4. To assess the practices of performance appraisal in insurance companies.
5. To assess the compensation and benefits related practices in insurance companies.
6. To assess the practices in the area of human motivation.
7. To assess the HRM philosophy of the management.

Literature Review

The literature review regarding various HR practices like human resource planning, job analysis, recruitment, selection, placement, socialization, training and development, performance appraisal, compensation and benefits, career management, and other contemporary HR practices (work-life balance, attitude surveys, workforce diversity, and human resource information system) is presented in the following paragraphs.

The process of analyzing and identifying the need for and availability of human resources for

organization to meet its objectives is human resource planning (Mathis and Jackson, 2004). It ensures that human resource requirements of an organization are identified and plans are made for satisfying those requirements (Bulla and Scott, 1994). Recruitment is a form of business competition. It demands serious attention from management because any business strategy will falter without the talent to execute it (Cascio, 2006). It is a process of attracting a pool of high quality applicants so as to select the best out of them (Kulik, 2004). Recruitment and selection occupy attention of employers since these activities involve: (a) addition of manpower and hence (b) additional cost (Prasad, 2005).

According to While Miller (1987) in his article, HRM relates to ".....those decisions and actions which concern the management of employees at all levels in the business and which are related to the implementation of strategies directed towards creating and sustaining competitive advantage" R.K.Gupta in his paper on HRD: concerns, concepts and frameworks ; HRM in banking and insurance companies concentrates on building employee capabilities. Employee capability serve as the trigger and create growth opportunities for the organization. As employee capabilities is the link to success in insurance companies, the HR Department becomes the strategic capabilities unit.

Subhash C kundu and Divya Malhan on the proceedings of the 13th Asia Pacific Management Conference – 2007 have opined ; HR policies of an organisation benefit the employee by providing better opportunities for growth in terms of better compensation, training and development opportunities, career management in turn leading to job-satisfaction and self fulfillment. Organizations can cultivate corporate entrepreneurship to enhance corporate innovation and performance.

Teo (1998) has observed that the ultimate benefit of strategic HRM to an organization is its ability to facilitate contributions to the organization in the acquisition and maintenance of sustainable competitive advantage. One way to achieve improvements in competitiveness is through benchmarking HRM best practices.

According to Sanjay Kr. Singh (Associate Prof, IMT Ghaziabad) and Sindhu G (HR Manager Bharti Airtel) on their article on Benchmarking –

The best practice in case of HR refers to high performance work practices (eg: training, recruitment & selection, compensation, performance appraisal and industrial relations) that may in turn, have an impact on firm performance and ultimately on the competitive advantage of the organization. In general it has been observed that there is a positive relationship between key HRM practices and the performance of the firm. Thus on the basis of literature review, the following hypothesis is proposed:

- H₁ Insurance companies use HR practices like HRP and recruitment and selection.
- H₂ Insurance companies practice training and development.
- H₃ Insurance companies practice performance appraisal.
- H₄ Insurance companies practice Organisation Development and contemporary HR practices.

Research Methodology

This study was based on primary data gathered with the help of questionnaire comprising of a total of 30 questions each for each set of respondents (management respondents and agent advisors). The respondents were asked to rate statements on a five point rating scale where one indicated that respondents strongly disagree, two meant for disagree, three for neutral, four indicated agreeing and five meant strongly agree about what was described in the statement. These 30 statements can be seen through exhibit 1.

The questionnaire was administered to 500 randomly selected respondents (250 management respondents and 250 agent advisors) of Max Life Insurance. The returned questionnaires were found suitable for final analysis and without discrepancies.

The data gathered was analyzed with the help of statistical tools like actual counts, percentages, correlations, standard deviations, Chi-square, mean and grand mean scores. Actual counts, percentages, and means were used to assess the frequency and percentage extent of certain variables related to general and background information. Correlations were used to assess the relationships of human resource management practices practiced in insurance companies and standard deviations were calculated to understand the variations in data collected through responses. Factor analysis was

basically used to reduce the data collected on five-point scale for further analysis. Chi-square was used to assess the significant differences regarding HR practices between Management Respondents and Agent Advisors of the company. Mean and grand means were helpful in explaining the extent and direction of prevalence of HR practices and related factors.

Results

Primary data based on 250 respondents from MLI (7 branches in Delhi region) was analyzed to assess HR practices being practiced by insurance companies in India. The names and the descriptions of the factors are given in the following paragraphs.

It is clear from the statistics when the advisors were asked what they feel about the recruitment and selection practices at MLI, 84 percent respondents viewed that the organization followed a well defined recruitment policy. It was observed that 80 percent of the management respondents have viewed that the recruitment process is strictly followed in the organization, while 90 percent of the agent advisors have opined that the recruitment process is strictly followed in the organization. It is important that the errors in selecting the candidates are reduced to the minimum. These errors can comprise of errors of biasness, stereotyping or halo error. 71 percent of the agent advisors believe that the selectors are free from biasness and errors while 20 percent of the respondents feel that the selection process is not free from bias or error free. 91 percent of the agent advisors believed that the agents are selected on the basis of service attitude and competency.

A majority of 88 percent of the agent advisors have observed that the office head takes special interest during each step of the recruitment process. The value of chi – square for various factors were calculated at 3 degrees of freedom and 5% level of significance. The calculated value of X^2 is 1.502 while the table value is 7.82. Since the calculated value of X^2 cal < X^2 table, H_1 is accepted.

Analysis of returned questionnaires suggests the opinions of agent advisors about the effectiveness of induction training programmes. It is observed from the table that 91% of MLI advisors have felt that induction-training programme provides

an excellent opportunity for new comers to learn comprehensively about the company, while almost 90% of the managers felt the same about induction training.

However, the induction-training programme can be made effective if the senior staff take interest and spend time with new staff during the induction training programme. A majority of 94% percent of Agent Advisors feel that the senior staff helps the new employees during the induction-training programme.

The training and development programmes aim at imparting improving technical, managerial and behavioral skills and knowledge of employee. It is observed from the table that only 86% of managers of MLI have viewed that they acquired technical and improved managerial knowledge through training and development programme. The management normally is expected to reap the benefits of the training programme by providing adequate freedom to the employees to utilize the knowledge gained. This provides an opportunity to the managers to utilize the benefit from the training and consequently improves the performance of the employees after training.

To attain the objectives of the training program, it is not only important that the trainers are well equipped with the training content but also that they are able to impart it effectively. 91% of the management respondents have viewed that the trainers have an aptitude for teaching while 98% of the Agent Advisors felt that the trainers have an aptitude for teaching. A clear majority of 90% Agent Advisors feel that the trainers employ the right techniques to impart training. To reap the benefits of training it is important that the physical facilities in which training is imparted be made conducive to the trainees. 95% of the Management respondents have opined that the training is provided in excellent physical facilities while 98% of the Agent Advisors share the same view about the physical facilities in which training is provided. . The calculated value of X^2 is 0.542 while the table value is 7.82. Since the calculated value of X^2 cal < X^2 table, H_2 is accepted.

It is observed that majority of the agent advisors as well as management respondents of MLI felt that the performance appraisal system does provide an opportunity to the appraisee to have a

clear understanding of what is expected of him. When asked whether the performance appraisal system motivated the employees to develop, 88% management respondents and 92% of the agent advisors have expressed that the system motivated them to develop. It is observed that 88% of the management respondents feel that their system contributes to superior-subordinate relations.

It is observed that a majority of 95% of management respondent expressed that performance appraisal system helps in appraisee to gain interest and insight into his strength and weakness. 80% of the agent advisors expressed that the performance appraisal system develops superior subordinate relationship through open communication. When asked whether performance appraisal is done regularly in the organization 98% of the management respondents and 94% of the agent advisors have viewed performance appraisal to be a regular process in the organization. 98% of management respondents while 94% of the agent advisors are of the viewpoint that the results of the appraisal are communicated. . The calculated value of X_2 is 0.164 while the table value is 7.82. Since the calculated value of X_2 cal < X_2 table, H_3 is accepted.

Management respondents of MLI are asked to express their opinion regarding the efforts of the company in planning for career and providing facilities for career development. It is observed from this table that only 84 per cent of the respondents have felt that their organization disseminates career option information. It is further clear from this table that only 91 per cent of the management respondents of MLI have felt that their organisation disseminates information about the present job postings. It is observed that 70 percent of the management respondents felt that someone at work talked to them about their progress. . The calculated value of X_2 is 3.44 while the table value is 7.82. Since the calculated value of X_2 cal < X_2 table, H_4 is accepted.

Discussion

The studies suggest that the insurance industry through risk transfer, financial intermediation, and employment can generate positive externalities and economic growth. HR plays a crucial role in service companies (Schneider and Bowen, 1993). In the present study, to assess HR practices of Private Insurance Companies particularly MLI, it was found that factors like 'performance appraisal', 'HR planning, recruitment and selection' were significantly practiced in MLI. While factors such as career planning , organization development and counseling were found to be only moderately practiced in the organization, it was observed that these factors are being continuously stressed in HR practices.

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