

Journal of Strategic Management (JSM)



IMPORTANCE OF EDUCATION AND SKILLS ON PERFORMANCE OF INSURANCE SECTOR

Dr. Ben Kajwang PhD



IMPORTANCE OF EDUCATION AND SKILLS ON PERFORMANCE OF INSURANCE SECTOR

Dr. Ben Kajwang PhD, ACII(UK), AIRM(UK), FIIU, FIIK, CPT, Chartered Insurer
Chief Executive Officer, College of Insurance, Nairobi, Kenya
Corresponding Author Email: bkajwang@coi.ac.ke

Abstract

Purpose: The main indicators for performance measurement in the insurance companies are employee satisfaction, employee training time growth rate, employee reasonable proposal growth rate and the number of products developed. As the insurance sector experiences drastic technological changes, the employability skills and academic qualifications required for hiring and retaining employees have also changed. The goal of this study to discuss the importance of education and skills on performance of insurance sector. The purpose of this work is to enhance the reader's understanding on the various ways that HR managers employ to improve the skills of their employees which contributes to the overall performance.

Methodology: A desktop literature review was used for this purpose. Relevant seminal references and journal articles for the study were identified using Google Scholar. The inclusion criteria entailed papers that were not over five years old.

Results: From the findings, researchers have advocated for insurance companies to engage their employees on continuous trainings and systematic development of skills that contribute to improved welfare of their employees and increased organizational productivity and profitability. It is therefore necessary that HR managers invest in human resource practices such as trainings and rewards, personnel development, in order to enhance productivity and the overall performance of the organization.

Recommendations: The study recommended that consistent trainings and systematic development of skills should be provided in all the levels of the insurance sector. In addition, insurance sector should train their employees on the use of system software such as ERP system that enables employees carry out their tasks faster and efficiently and as a result contribute to the overall performance.

Keywords: *Education and Skills, Performance, Insurance Sector*

INTRODUCTION

The basic qualifications in an interview for every potential employee in any organization consists of academic qualifications, skills and work experience that is closely related to the open job position. Education level refers to the academic credentials or degrees an individual has obtained. Most organizations use education attainment as an indicator of a person's skill level or productivity and is frequently employed by HR managers as a prerequisite in hiring decisions. Education attainments have also been associated with positive career outcomes, including salary level, number of promotions, development opportunities and job mobility (Anitha & Kumar, 2016).

The employability skills that employers look for in job candidates include soft skills, technical skills, communication skills, leadership skills, organizational skills and interpersonal skills. These core skills span across all professions and employees need such skills so as to be effective and efficient in the workplace. Job candidate also need to possess such skills so that their resume and cover letter are attractive to the hiring managers. Organizational performance comprises the actual output or results of an organization as measured against its intended goals and objectives. Thus, employees with the required education attainment and employability skills will perform well and as a result have a positive impact on the organizational performance (Suleman, 2018).

Recently, HR managers have taken initiatives to provide educational opportunities to employees as part of a company's benefit package is to increase knowledge and technical skills. Providing educational benefits for employees will increase employee talent and employee retention. On the other hand, continued education makes the employee feel appreciated, valued, and increases overall happiness in the workplace. As a result, happier employees perform better and have increased loyalty to their employers. Insurance companies have also made educational opportunities and trainings paramount among their employees since they require strong critical thinking skills, the ability to get the most out of their customers and the ability to rise where everybody is (Garg & Punia, 2017).

LITERATURE REVIEW

IMPORTANCE OF EDUCATION AND SKILLS ON PERFORMANCE IN THE INSURANCE SECTOR

Research by Milliman and Clair (2017) in United States indicated that managers in some insurance companies lacked effective communication skills and this was as a result of such companies failing to invest its resources in communication trainings in all levels of the organization. The findings of the research revealed that lack of training and education on effective communication skills among managers, led to misunderstandings and confusion among their staff regarding job duties and opportunities. The staff also felt that their managers made decisions on their own without regarding their views or needs. Thus, in order to solve these problems HR managers should invest in trainings to train and educate their managers on effective communication skills that will promote teamwork and cooperation between the staff and their managers.



A study by Suleman (2018) in Europe on entrepreneurship education and training indicated that a comparative European analysis of entrepreneurship programme has a significant insight on both programme providers and participants. The study further revealed that aside from HR managers, higher education institutions and policymakers should be provided with information on employability skills such as cognitive skills, soft skills, technical skills and relational skills that are demanded in the labour market of insurance industry. This will help insurance industries to partner with higher education institutions and policymakers to educate and train job candidates and employees on the employability skills they require in the all levels of their organizations.

A study by Jeong and Lam (2016) in countries in the Southeast of Asia revealed that training and development is the apprehensive field with managerial activity aimed at improving the performance of individuals and groups in consideration to the field of human resource management, in an organizational setting. Service industries that employ internal marketing factors such as vision, communication, overall development, job trainings and rewards have a significant and positive effect on employees' job satisfaction. Employees' job satisfaction, in turn, is positively associated with the perceived job performance and this also reflects in the overall performance of the organization. These internal marketing factors also enables the management to keep their employees motivated hence retaining them to achieve long-term objectives of the organization.

Further, Mihardjo and Hussain (2020) conducted a study that examines the key human resource practices that influence employee commitment and service recovery performance (SRP) of Takaful industry agents in Southeast Asian region. The study revealed that human resource practices which include human capital, trainings and rewards have a significant influence on employee commitment which further leads to improvement of Service Recovery Performance (SRP). Takaful industry is an Islamic insurance industry which has implemented SRP in their management system which has played a vital role in sustainable competitive advantage.

Research by Lin *et al.* (2016) in China sought to investigate how Future Work Self Salience (FWSS) have an influence on job performance in the insurance companies. The findings of the study suggests that FWSS has a considerable impact on future-oriented activities such as skill development, career planning, career networking, and job searching. Future Work Self Salience (FWSS) affects job performance via its influence on engagement and with this influence as a function of supervisor coaching. Furthermore, significant impact of FWSS with employee engagement on sales performance in the insurance companies was experienced when employees in the sales department were exposed to higher levels of superior coaching.

A study by Garg and Punia (2017) in India indicated that the Indian insurance market provides training and development opportunities to their employees depending on the different levels in the organization. The various segments in the insurance industry include sales, non-sales and senior management/board. Training programs are designed accordingly for sales managers and agents in order to emphasize on sales effectiveness, product knowledge, sales communication and relevant technology. On the other hand, training programs designed for non-sales staff are typically technical in nature and senior managers are trained on regulatory and corporate governance aspects. The findings of this study revealed that these training programs helped

employees in career development, effectively carrying out the day-to-day job responsibilities, motivation and satisfaction.

A study by Allen (2016) in Indonesia revealed performance in the labour market among different groups of workers, particularly the youth, women and rural dwellers has been weak due to drastic changes and emerging trends and higher levels of labour underutilization. Drastic changes and emerging trends in the insurance sector have led to change in their management, where they have increased investment in education to educate the employees on the important skills they need to navigate through these changes. The results of this study also indicated that growth of the employee performance is allegedly influenced by motivation and trainings oftenly conducted in the organization. As a result, trainings and motivation of employees has a positive significant change on the employees' performance.

A study by Almajali and Tarhini (2016) sought to investigate the importance of implementation of Enterprise Resource Planning systems (ERP) on Company's success in large insurance companies in Jordanian. ERP system is a software system that has enabled insurance companies carry out their countless administration tasks, data analysis, and sales tracking and customer service faster and more efficiently. The implementation success of ERP system is costly and complex and has to involve extensive training of the staff and support leadership of the organization. The findings of the study revealed that insurance companies that have successfully implemented the ERP system have experienced user satisfaction among their employees hence increased productivity, customer satisfaction and the overall performance.

Research by Adebawale and Adebayo (2018) in Nigeria revealed that employee's collective performance plays a big role in determining productivity, growth and survival of organizations. Inadequate training and skill development among employees in the insurance sector in Lagos, Nigeria has led to inefficiency in quality of work and poor timeliness of work, lack of self-reliance and low output per head. The findings of the study concluded that the board of directors in the insurance sector should invest in personnel development, employees' skills and attitudes in order to enhance productivity and the overall performance of the organization.

A study by Asare, Alhassan, Asamoah and Ntow-Gyamfi, (2017) on intellectual capital and profitability in an emerging insurance market in Ghana, revealed that Intellectual Capital is an important factor in the management of insurance companies. The study recognized that there is a significant positive relationship between Intellectual Capital (IC) and profitability of insurers in Ghana and human capital efficiency is the main driver of insurer's IC performance. Human capital efficiency can only be achieved through extensive, continuous trainings and skill development of the staff in the organization which results to improved employees' performance.

A study by Mwila (2016) in Zambia sought to investigate the effectiveness of Technical Education, Vocational, and Entrepreneurship Training (TEVET) in provision of education and skills development in industrial sectors. The study revealed that the poor state of infrastructure, poor implementation of the curriculum and inadequate funding resulted in the mismatch between the training offered and what was demanded on the labour market. The study therefore, concluded that in the short term, increased partnership between training institutions and the industrial sector is necessary so as to enhance the responsiveness of the training to the labour

market demand. This will ensure that job candidates hired even in the insurance sector have the skills demanded in the labour market and increase organizational performance.

Opu (2018) researched on training feedback on organizational effectiveness in health insurance firms in Cameroon and found that training feedback is the last step in the training process whereby trainees are asked to fill a form expressing their experiences during the training. The questions seek to establish aspects of the training communication effectiveness on the part of the trainer, relevance of topics, and whether training objectives were achieved. Similarly, Akala (2018) observed that during performance appraisal and performance contract exercises, non-teaching employees are evaluated against agreed organizational goals and objectives. The strengths, weaknesses, opportunities and threats of the employees' performance evaluation outcome are determined and appropriate action taken. The action may be promotion, transfer, granting of awards, and recognition, further training, as incentives to make the employee perform better. Sometimes employees may suffer due to the biased nature of appraisal systems.

A study by Suci (2019) shows that new teaching, learning and training methods are emerging as a result of the modern-day revolution in the economic, labour and technological global workforce. These changes are forcing organizations to prioritize a more global, flexible, integrated and vocational training model. For example, in the insurance industry, the introduction of e-transactions has revolutionized the work processes necessitating employees who are up-to-date with technological demands. Effective training methods are an essential factor in the businesses because they have the potential to enhance the efficiency and effectiveness in the organization. A study by Silasi(2018) in Ethiopian banking industry concluded that any training that is linked to market needs have the ultimate goal of benefiting the entire industry. Therefore, to achieve efficiency and effectiveness in organizations, the management must make training an enduring element of its policy framework.

Nwachukwu (2017) studied the relationship between training methods and the performance of life insurance firm in Nigeria. The study revealed that new teaching, learning and training methods are necessary for any organization that strives to meet its goals and objectives in an ever-changing business environment. According to Tajeddini (2018), training design involves developing new educational and training materials for existing employees and helps roots out existing gaps in training by filling them in with new materials for enhanced performance. In essence, training design allows employees to grow their skills instead of becoming static in their responsibilities and roles.

Wadongo et al. (2020) argue that although training design should be directed at employees, its ultimate impact should be directed to organization performance because the end users of such benefits are business itself. Therefore, training can only have the most considerable influence when it is coupled with other human resource management practices which should be implemented by an organization.

According to Tepper et al. (2018), an effective training design has the potential to enhance the organisation performance with benefits including profitability, efficiency, productivity, and improved operating revenue per employee. Kozica and Brandl (2017) argue that an effective training design is one that has not only been implemented based on sound

human resource practices but one that incorporates the ever-changing face of technology. As such, an effective training design is one that captures the emerging needs of the markets. Gonzalez (2018) asserts that having the right IT infrastructure and employees who have been trained using the appropriate design has a major impact on organizational performance.

Study by Beneke, Blampied, Dewar and Soriano (2016) on assessment of influence of employee training on employees knowledge in Nigerian education insurance firms found that training is not only aimed at improving the employee's knowledge and skills with regard to his or her functional and administrative duties, but the acquisition of certain virtues and attitudes like diligence, willingness, integrity, loyalty and responsibility is also within its scope. At any organizational level, training is very important to meet corporate goals.

A study by Alhassan and Biekpe (2016) in South Africa indicated that the insurance industry has experienced limited pool of skills among their employees and job candidates due to the recent drastic transformation of technology. This challenge has affected large, small and medium-sized companies mostly at the admin level and career advancement of their employees. The findings of the study indicated that In-house training, and in particular mentoring, are key approaches to up skilling staff. In addition, insurance companies should improve their associations with other industries and work together in order to increase the pool of skills and prevent poaching of skills. The insurance industry can also improve its image by increasing professionalism among underwriters, claims and risk agents and sales and distribution managers/ agents.

Study by Aguinis and Kraiger (2019) in Ugandan General insurance firms found that many benefits accrue from training such as innovation, tacit skills, adaptive expertise, technical skills, self-management skills, cross-cultural, adjustment and improved performance. They stated that recognition of benefits from training activities has made many countries in the world to adopt policies to improve training design and delivery which in turn lead to improved human capital and greater economic prosperity. The researchers recommended that organizations should conduct needs assessment tests and use technology for training and provide trainees with adaptive guidance. The researchers also recommended that training should be incorporated with other human resource activities such as employee selection, performance management and rewards in order to succeed.

Studies by Appiah (2019) in Tanzanian banks found that training varies with organizations in terms of amount, quality and quantity. The researcher revealed that the following factors influence training: quality, quantity of training and development activities, change in external environment, extent of internal change, availability of suitable skills within current employees, and management perception of training as a motivator in work. Similar study by Ongori and Nzonzo (2017) in Dar es salam revealed that training and development improves organizational effectiveness, enhanced organizational competitiveness and retention of human capital.

A study by Otedo (2017) in Kenya recognized that since the insurance industry began experiencing significant change on the basis of product and market segmentation, the importance of a strong human resource complement in the insurance industry cannot be ignored. The findings of the study revealed that access to relevant skills and competencies among the staff in



the marketing and public relations departments resulted to increased sales in the varying insurance products and customer satisfaction.

A study by Karimi (2019) in Kenya sought to investigate the impact of training and development on employee performance. The study revealed that BETA insurance company has come up with continuous trainings and systematic development among all levels of its employees. The aim of these trainings and systematic developments is to increase knowledge, skills and attitudes that contribute to the welfare of employees and increase organizational productivity and profitability. In addition, lifelong trainings and developments strategies have enabled insurance companies remain competitive and relevant in the insurance industry.

CONCLUSION

Education and employability skills are important and necessary for hiring of job candidates in the insurance sector. On the other hand, insurance companies that engage their employees on continuous trainings and systematic developments have contributed to improved welfare of their employees and increased organizational productivity and profitability. Employees' job satisfaction also improves since employees feel recognized and motivated. This makes it easy for insurance companies to retain them. Consistent trainings and systematic development of skills are necessary in all levels or departments in the insurance sector since the productivity of all departments determines the overall performance of the insurance sector. Employees who have been exposed to trainings have not only experienced improved employees' performance but also career networking and development and this contributes to employees' commitment to the organization.

RECOMMENDATION

Based on the above findings; HR managers should raise their bar of professional qualification during hiring and focus more on the employability skills of job candidates which have significant impact on organizational performance. Consistent trainings and systematic development of skills should be provided in all the levels of the insurance sector. The insurance industry should increase their associations with other industries in order to increase the pool of skills among their staff and prevent poaching of skills. Insurance sector should train their employees on the use of system software such as ERP system that enables employees carry out their tasks faster and efficiently and as a result contribute to the overall performance. The Insurance sector should partner with TIVET institutions to ensure that job candidates hired in the insurance sector have the skills demanded in the labour market and increase organizational performance. The board of directors in the insurance sector should invest in personnel development, employees' skills and attitudes in order to enhance productivity and the overall performance of the organization. HR managers should embrace human resource practices such as human capital, trainings and rewards which influence employee commitments and Service Recovery Performance (SRP).

REFERENCES

- Adebowale, A. O., & Adebayo, O. M. (2018). Reinsurance Utilisation and Performance of Non-Life Business in The Nigerian Insurance Industry. *The Journal of Risk Management and Insurance*, 22(2), 18-30.
- Alhassan, A. L., & Biekpe, N. (2016). Competition and efficiency in the non-life insurance market in South Africa. *Journal of Economic Studies*.
- Allen, E. R. (2016). Analysis of trends and challenges in the Indonesian labor market.
- Almajali, D. A., & Tarhini, A. (2016). Antecedents of ERP systems implementation success: a study on Jordanian healthcare sector. *Journal of Enterprise Information Management*.
- Anitha, R., & Kumar, M. A. (2016). A study on the impact of training on employee performance in private insurance sector, Coimbatore district. *International Journal of Management Research and Reviews*, 6(8), 1079.
- Asare, N., Alhassan, A. L., Asamoah, M. E., & Ntow-Gyamfi, M. (2017). Intellectual capital and profitability in an emerging insurance market. *Journal of Economic and Administrative Sciences*.
- Garg, N., & Punia, B. K. (2017). Developing high performance work system for Indian insurance industry. *International Journal of Productivity and Performance Management*.
- Ieong, C. Y., & Lam, D. (2016). Role of internal marketing on employees' perceived job performance in an Asian integrated resort. *Journal of Hospitality Marketing & Management*, 25(5), 589-612.
- Karimi, K. N. (2019). *The Influence of Training And Development Practices On Employee Retention At Madison Insurance Company Limited, Head Office, Nairobi, Kenya* (Doctoral dissertation, UoN).
- Lin, W., Wang, L., Bamberger, P. A., Zhang, Q., Wang, H., Guo, W., ... & Zhang, T. (2016). Leading future orientations for current effectiveness: The role of engagement and supervisor coaching in linking future work self salience to job performance. *Journal of Vocational Behavior*, 92, 145-156.
- Mihardjo, L. W., Jermstiparsert, K., Ahmed, U., Chankoson, T., & Hussain, H. I. (2020). Impact of key HR practices (human capital, training and rewards) on service recovery performance with mediating role of employee commitment of the Takaful industry of the Southeast Asian region. *Education+ Training*.
- Milliman, J., & Clair, J. (2017). Best environmental HRM practices in the US. In *Greening People* (pp. 49-73). Routledge.
- Mwila, K. (2016). *Education and Skills Development: Examining the Effectiveness of Technical Education, Vocational and Entrepreneurship Training in Solwezi District, Zambia* (Doctoral dissertation, UNIVERSITY OF ZAMBIA).

- Otedo, S. O. (2017). *Insurance Employees Perception on the Challenges Affecting Performance of Insurance Companies in Kenya* (Doctoral dissertation, University of Nairobi).
- Suleman, F. (2018). The employability skills of higher education graduates: insights into conceptual frameworks and methodological options. *Higher Education*, 76(2), 263-278.
- Nwachukwu, C. E., & Chladková, H. (2017). Human resource management practices and employee satisfaction in microfinance banks in Nigeria. *Trends Economics and Management*, 11(28), 23–35.
- Tajeddini, K. (2018). Customer orientation, learning orientation, and new service development: an empirical investigation of the Swiss hotel industry. *Journal of Hospitality & Tourism Research*, 35(4), 437–468.
- Tepper, B.J., Dimotakis, N., Lambert, L. S., Koopman, J., Matta, F. K., Man Park, H., & Goo, W. (2018). Examining Follower Responses to Transformational Leadership from a Dynamic, Person–Environment Fit Perspective. *Academy of Management Journal*, 61(4), 1343–1368.
- Wadongo, B. I., Edwin, O., & Oscar, K. O. (2018). Managerial roles and choice of performance measures in the Kenyan five-star hotels using a cross-sectional correlational design. *Managing Leisure*, 15(1–2), 17–31.