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The Impact of Training and Development, Performance Appraisal, and Compensation and Benefits on Organizational Performance in Insurance Company in Malaysia

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Abstract

The goal of this research is to investigate the impact of key human resource practises (training and development, performance appraisal, and compensation and benefits) on organisational performance in Malaysian insurance companies. The industry was chosen for the research because it is important in the global economy and contributes to a country's GDP. As a result, organisational performance is critical for insurance companies to survive in today's competitive market. The study probes into the relationship between training and development, performance appraisal, compensation and benefits, and organisational performance in particular. The research was conducted using the positivism paradigm associated with quantitative research. A descriptive and correlational study clarified the hypotheses and provided an answer to the research question. A total of 357 employees were chosen to participate in this study. To analyse findings in the relationship between independent and dependent variables, the Statistical Package for the Social Sciences (SPSS) version 20.0 is used. The findings indicate a significant relationship between training and development, performance evaluation, and compensation and benefits and organisational performance. This research adds to the Human Resource Management literature and practitioners, particularly in the insurance industry. Future research can focus on mediating variables that can help improve those relationships.

Keywords: Training and Development, Performance Appraisal, Compensation and Benefits, Organizational Performance, the Insurance Industry, Malaysia

Introduction

Managing organizational performance is becoming more crucial in many industries including the insurance industry. The reasons are twofold. First, with nearly 82,042 people working in the insurance industry in Malaysia (Müller, 2021), the industry has a growing importance in today's economy. Also, globalization, market forces, and highly competitive

marketplaces have caused the insurance business to become more competitive in order to compete domestically and globally (Kundu, 2009). Most importantly too, organizations must ensure employees satisfactions with their working conditions that also improved organizational commitment and job engagement (Karim et.al., 2019; Hayati et.al., 2019). One way for organizations to attain highly engaged employees and eventually enhance organizational performance among their employees are by implementing virtuous Human Resource Management (HRM) practices such as training and development, performance appraisal, and compensation and benefits (Anwar et. al., 2021).

In relation to this study, insurance companies believe that good training and development, performance appraisal, and compensation practices will have a positive impact on organizational performance among their employees (Mihardjo, 2020). Thus, the purpose of this research is to investigate and quantify the impact of training and development, performance appraisal and compensation and benefits on organizational performance. The research is timely as recent turn of event has impact the insurance companies in Malaysia significantly. The market saw its steepest drop in the first half of 2020 due to the Covid-19 pandemic and the Movement Control Order (MCO) announced by the government. For the first six months of 2020, premiums written in general insurance fell by 3.6 per cent. Premiums were RM 310 million lower than in 2019, with vehicle insurance, which accounts for 47% of the market, experiencing the worst reduction, down 7.4% year on year (Faber Consulting, 2021). Further, Medical insurance, which benefited from increased knowledge, was one of the few winners in the first half of 2020, with premiums rising by 3%. Malaysia's GDP decreased by 6.4 per cent in the first three quarters of 2020 compared to the same period in 2019 (Faber Consulting, 2021).

According to Kumar (2021), "decreasing organizational performance of the company since 2020 has contributed not only to MCOs, but also because insurance employees are feeling demotivated by the declining premium rates, unavailability of people to purchase insurance and others." They are not ready to work beyond what they are supposed to do because of dissatisfaction with organizations. The volume of training that has been provided to the employees in Insurance companies, has also decreased by almost 50% since March 2020, and it directly impacts the employee motivation and competency to work (Kumar, 2021). This is followed by the compensation and benefits, including bonuses and trips that used to be "luxurious" being decreased by the management. On the other hand, the employee's performance appraisal or evaluation process could not really be focused during the current state of the pandemic. These are the reasons, employees could not meet their targets on policy premium achievement and others.

As for the employees, they need constant increases in, for example, pay, better benefits, more work-life balance in order to perform well on a consistent basis (Satyanarayana, 2018). When there are factors that badly affected employees' job performance such as what is mentioned, they also directly contributed negatively to organizational performance. In this situation, it is the HRM functions that have key roles in improving organizational performance in the insurance sector, since it has the ability to make fundamental changes. HRM must then, lead a significant internal structural changes in the insurance industry in order to have improved organizational performance. This is especially so, because people of an organization are substantial assets who are able to transform from tangible assets to optimum productive resources in order to satisfy the organizational requirements (Gannile & Chandrisiri, 2020)

Based on past studies, it was revealed that there is still a lack of study to examine organizational performance from the effectiveness of HRM practices such as training and development, performance appraisal, and compensation and benefits in Insurance companies in Malaysia. Therefore the objective of this research focuses on three main areas as the research priorities for identifying the impact of HRM practices; training and development, performance appraisal, and compensation and benefits. The following are the research questions:

RQ1. Does training and development impose a significant relationship on organizational performance?

RQ2. Does performances appraisal impose a significant relationship on organizational performance?

RQ3. Does compensation and benefits impose a significant relationship on organizational performance?

Literature Review

The literature review explained and discussed the theoretical models and different approaches of the independent variable (training and development, performance appraisal and compensation and benefits) and the dependent variables (organizational performance). Based on the literature review and the model from previous research, some hypotheses have been developed to determine the relationship between the dependent and independent variables and to answer the research questions. The conceptual framework for this study has also been developed.

Independent Variable

Training and Development

Training and development primarily focus on improving the performance of employees in terms of knowledge, skills, and behaviour. Competencies are the knowledge, skills, and abilities that employees require that are a prerequisite to their careers (Chaudhry, 2017). Training is defined by Hanaysha and Tahir (2016) as the business activities of diverse skills and approaches for executing specific, precise, and routine jobs. According to Afroz (2018), the more well-trained an individual is, the better the results he produces. Organizations that do not offer training to their employees are on the verge of failing in the market, and this is due to their employees' inability to enhance their performance (Rida & Shah, 2015). Employee training and development initiatives were proven to impact employee performance and productivity positively.

As a result, more excellent performance tends to raise staff motivation, giving the company a competitive advantage in the marketplace. Employee turnover may be reduced due to these measures and increased dedication and satisfaction (Khan & Batool, 2016). On that account, training is an essential component in improving organizational performance. It aids in creating a link between what might happen and what occurs between specific targets or objectives and actual work performance levels.

Performance Appraisal

Performance appraisal refers to the systematic evaluation of an employees' performance to understand their individual ability to enhance their growth and development (Al-Jedaia & Mehrez, 2020). It is a procedure in which managers identify, observe, measure,

and build job-relevant strengths through observation, measurement, and development (Juliet, 2017). It aids in the identification, measurement, and development of an employee's deficiencies. Through the integration of human resource policies with the organization's strategic planning, an accurate appraisal aids in diagnosing the level of job performance.

The success indicators to measure the employees' performance are productivity, quality, efficiency, effectiveness, and attendance at work (Arinanye, 2015). It is a systematic technique to improve operational productivity by enhancing people's performance in an organization. As a cumulative achievement of a given mission, it is calculated to pre-selected expectations of precision, expense, and speed. According to Maley (2014), if performance appraisals are conducted without clear objectives, they might result in employee unhappiness as well as poor performance and organizational commitment. Through human resource management, performance indicators for process effectiveness and efficiency are carried out.

These processes will determine the efficacy and productivity of workers' work results to be assessed whether they have accomplished their task goals, objectives, duties and job requirements (Bao et al., 2021). To maximize their efforts toward the achievement of company objectives and goals, a strong performance appraisal system must be implemented. When employees are unaware of what they are expected to do and the repercussions of their actions, it is challenging to expect more excellent work performance, organizational commitments, or a reduction in the likelihood of turnover (Bekele, Shigutu, & Tensay, 2014).

Compensation and Benefits

Competitive remuneration and attractive benefits motivate employees to work harder, improving their performance and productivity, positively impacting organizational performance (Kadir, 2019). According to Bagga and Srivastava (2014), the primary purpose of a compensation scheme is to reward employees for recruiting and retaining them based on their abilities, competencies, performance, knowledge, and experience. Compensating employees for their intrinsic performance as well as achieving the intended operational goals must be a major motivator.

One study (Pillaiyan, 2015) found that an organization's capacity to recruit, motivate, and retain workers is linked to its ability to provide competitive compensation and appropriate incentives. By delivering outstanding wages and perks, a company is thought to bring out the best in its employees. It encourages employees to work harder for the company without being compelled to.

Dependent Variable

Organizations perform various activities to achieve their organizational objectives. Quantified repeatable activities help to utilize processes for the organization to be successful in ascertaining the level of performance and management to make informed decisions on where, if needed, within the processes to action to improve performance (Demeke, 2020). HRM practices that enhance employees' knowledge, skills, ability, and motivation will have a more significant impact on performance if the organization is using a strategy that requires highly skilled and motivated employees (Danlami, 2012).

Organizational performance is an essential concept in management research. Previous research provides a multimodal understanding of organizational performance primarily influenced by stakeholders, varied product market conditions, and time. Regarding prior research findings, this research should have a solid theoretical basis for the nature of

achievement and lead to a stronger theory about the nature of measures. The authors end with a need for more research into a triangulation.

The Relationship between Independents Variable and Dependent Variable

Employees gain knowledge and skills through official and informal training and development opportunities. They are significant in any organization as they help to produce highly-skilled, motivated and productive workforce (Maryville University, 2021). The advancements indicate life events that improve humans. These HR functions play significant roles in achieving organizational goals, and hence, insurance companies should set up regular training and development programs to improve the skills, morale, and productivity of employees (Kimanthi, 2020). Personnel managers of insurance firms should also involve experts to determine the appropriate initiatives capable of instigating employees' innovativeness to achieve organizational performance.

In view of this, employers in the industry should prioritize training programs for employees to acquire new knowledge to ensure a high level of productivity. According to Yahya (2013), additional care should also be taken to design the training and development programs to suit employees' needs as they believe that these programs provide helpful information and resources for professional development. At the same time employees are motivated to form networks with related individuals during the training session to receive the support that will help them advance careers (Kumar, 2021). Further, Yahya (2013) suggested that the employees' perceptions of the availability and effectiveness of organizational these types of programs would encourage them to become more active in seeking social support, resulting in higher levels of organizational performance.

In terms of performance appraisal, it enables employees to understand how its role contributes to the organizational success, and increasing motivation. Organizations should provide a well-defined performance appraisal platform to assist employees in creating satisfaction with performance appraisal (Singh & Khanduja, 2012). The reason being, employees like to work for organizations that can provide an excellent work culture and an attractive performance-based pay package. They also look for growth opportunities since today's employees are much more aware of their surroundings. They want to continuously grow and improve their skills to stay competitive in the market. Under the current market forces and dynamic competition, like other industries, insurance industries also feel the intensity to be more efficient, flexible, creative and productive to produce greater and qualitative output for the organizations (Siddiqi, 2018). The key to the performance evaluation system of is to select appropriate indicators that can reflect the organizational performance in all aspects and levels (Zhu, 2018).

Next is compensation and benefit, which also have a great impact on employees' productivity. Achieving effective work performance calls for job satisfaction among the workers. Compensation plays a significant role in influencing job satisfaction as it stimulates employees to work harder, thus increasing productivity and enhancing job performance (Suri, 2016). In this manner, compensation and benefit play an important role in organizations that want to reach their objectives and goals, that is achieving a high organization performance. While it is important as discussed in the preceding paragraphs, we must not neglect the fact that the contributing factor is employee performance towards organizational success.

In order to boost the level of performance, organizations must plan effective strategies for the employee. For example, although compensation and benefits can help increase the level of performance and contributes to increasing level of performance, organizations should

also focus on factors besides rewards. This includes providing a supportive and caring work environment and good working conditions that allow the employee to balance the personal and professional spheres (Ismail, 2019). This means, for employees, when they are compensated, it should be fair and in line with organizational compensation policies. In this way, they would be motivated and be more involved in the strategy of seeking social support, which would eventually lead them to express greater career satisfaction and improved organizational performance (Yahya, 2013).

Conceptual Framework

Management theories are broad collections of concepts, that managers used to control and manage organizations. Theories can also be used to motivate employees by allowing them to positively respond to organizational goals and incorporating successful methods for reaching those goals. Theories are ideas based on proposed techniques that may include approaches such as frameworks and guidelines that can be implemented in modern businesses. In this study, the researcher relates AMO theory and Expectancy theory to training and development, performance appraisal and compensation and benefits to organizational performance.

The independent variables comprised three main variables: training and development, performance appraisal and compensation and benefits. Whereas, the independent variables are expected to influence the dependent variables, which is organizational performance. The conceptual framework in Figure 1 demonstrates the association between the dependent and independent variables.

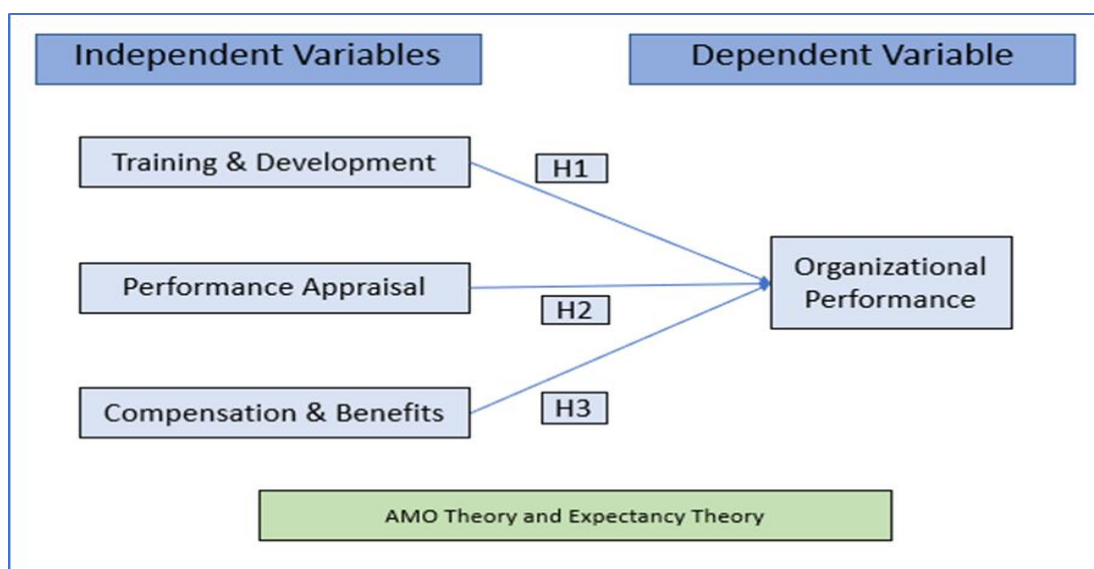


Figure 1 *Conceptual Framework*

The following hypotheses are tested based on literature and the setting of this research, which is intended to understand how HRM practices influence organizational performance in Insurance company in Malaysia.

- H1 - There is a significant relationship between training and development and organizational performance.
- H2 - There is a significant relationship between performance appraisal and organizational performance.

H3 - There is a significant relationship between compensation and benefit and organizational performance.

Methodology

Research Design

In this research, the principle of the positivism paradigm associated with quantitative research was used for the investigation. It was a descriptive and correlational study that understood the designated hypotheses and answered the research question. Questionnaires were the primary source of data collection in this research. The survey questionnaires have been distributed to the target group. Meanwhile, the respondents or the target group were employees at insurance companies. Thus, when the data has been obtained directly from the target group, the information is original and accurate to represent the respondents. The researcher used convenience sampling to reach the objectives of this study in the concern of data can be gathered quickly, and inexpensive methodology, and non-probability.

Sampling Procedure and Data Collection Procedure

The questions in this survey were partially adopted and adapted from a prior study of (Rurkkhum, 2010). Further, the developed questionnaire was measured on a five-point Likert scale (1 = Strongly Disagree; 2 = Disagree; 3 = Neutral; 4 = Agree, and 5 = Strongly Agree). The pilot test in this study used a personal self-administered questionnaire. A total of 35 respondents were received from the Pilot Study. All the three independent variables and the Cronbach's Alpha are above 0.90, which shows an excellent internal consistency. The questionnaires are distributed to the valid respondents since the population is too large to include each individual. The respondents were requested to fill up the self-administered online questionnaire disseminated via email, network and social media, such as Facebook, WhatsApp, and LinkedIn.

Research Instruments and Measurement of Variables

Only primary data were used in conducting this study. The results of the survey are the source of the primary data. The researcher used the questionnaire method for collecting the data. The four types of scaling are Nominal, Ordinal, Interval and Ratio. Individual scale type suggests different measures of central tendency, dispersion, and range for statistical analysis.

Findings and Discussion**Descriptive analysis*****Demographic Profile Descriptive Analysis***

The collected demographic profile of the respondents has been summarized in Table 1.

Table 1

Demographic Profile of the Respondents

Demographic Variables	Categories	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	218	60.9	60.9	60.9
	Female	140	39.1	39.1	100
Age Group	18-27	36	10.1	10.1	10.1
	28-37	125	34.9	34.9	45
	38-47	148	41.3	41.3	86.3
	48-57	39	10.9	10.9	97.2
	58 and Above	10	2.8	2.8	100
Ethnicity	Malay	82	22.9	22.9	22.9
	Chinese	108	30.2	30.2	53.1
	Indian	116	32.4	32.4	85.5
	Others	52	14.5	14.5	100
Marital Status	Single	171	47.8	47.8	47.8
	Married	149	41.6	41.6	89.4
	Others	38	10.6	10.6	100
Level Education of	High school graduate, diploma, or the equivalent.	70	19.6	19.6	19.6
	Bachelor's degree	214	59.8	59.8	79.3
	Master's degree	61	17	17	96.4
	Professional degree	13	3.6	3.6	100
	Others	-	-	-	
Service Length in the Industry	0 – 2 Years	100	27.9	27.9	27.9
	3 – 5 Years	127	35.5	35.5	63.4
	5 – 10 Years	100	27.9	27.9	91.3
	Above 10 Years	31	8.7	8.7	100
	Full-timer	151	42.2	42.2	42.2

A Full-time or Part-timer Staff	Part-timer	207	57.8	57.8	100
From Managerial Level	Yes	85	23.7	23.7	23.7
	No	273	76.3	76.3	100
Current Location	Klang Valley	202	56.4	56.4	56.4
	Others – Urban (e.g Ipoh, Seremban etc.)	138	38.5	38.5	95
	Others – Rural	18	5	5	100

Generally, both male and female employees of the firms participated in this study, whereby male employees answered the survey the most compared to females. Furthermore, most of the respondents are from the Klang Valley and aged between 38 and 47 years old. The majority of the respondents have at least a bachelor's degree as the highest level of their education. Other than that, the ethnicity and the respondent's marital status do not significantly impact this study

Normality Test

Among the 29 questions, only four fell into negative skewness set to training and development practices, and the range is between -0.216 to 0.479. There are three negatives to Kurtosis statistics that were the questions set for the training and development practises. The balance is from zero to a maximum of 2.291 among the 29 questions set.

Validity Test

Cronbach's alpha was used to validate the data for the researcher to test the hypotheses. The reliability of independent and dependent variables was strongly consistent with a Cronbach's Alpha above .90 and suitable for the data analysis. The results are summarized in Table 2.

Table 2

Reliability Test

Type of Variable	Description	Cronbach's Alpha Result	Number of Item
Independent Variable	Training and Development Practices	.946	9
Independent Variable	Performance Appraisal Practices	.920	8
Independent Variable	Compensation and Benefits Practices	.940	9
Dependent Variable	Perceived Contribution to Organizational Performance	.940	3

Inferential Analysis

Pearson's Correlation Coefficient Analysis and Multiple Regression Analysis are used in this research for the inferential analysis. The three independent variables consisting of training and development, performance appraisal, and compensation and benefit were shown and moderate strength of relationship with the dependent variable, organizational performance, according to Pearson Correlation Analysis result at the range between 0.50 to 0.70. Table 3 summarized the correlation between the Independent Variables and Dependent Variable.

Table 3

Summary of correlation between Independent Variables and Dependent Variable

Independent Variables	Description	Result
Training and Development	Strength of Relationship	0.596 - Moderate Strength
	Direction of Relationship	Positive
	Significance Of Relationship	P – 0.000 less than alpha 0.05
		Shown significant relationship
P-value for Standard Coefficient Beta	0.000 - Significant in prediction	
Performance Appraisal	Strength of Relationship	0.589 - Moderate Strength
	Direction of Relationship	Positive
	Significance Of Relationship	P – 0.000 less than alpha 0.05
		Shown significant relationship
P-value for Standard Coefficient Beta	0.143 - No significant in prediction	
Compensation and Benefit	Strength of Relationship	0.654 - Moderate Strength
	Direction of Relationship	Positive
	Significance Of Relationship	P – 0.000 less than alpha 0.05
		Shown significant relationship
P-value for Standard Coefficient Beta	0.000 - Significant in prediction	

Multiple Linear Regression Analysis

The multiple regression analyses were used to understand the relationship between multiple independent variables and the dependent variable. From Table 4, the R-squared value of .46 from the analyzed data suggests 46.30% of the variations of the dependent

variable (organizational performance) can be explained by all the independent variables (training and development, performance appraisal and compensation and benefits).

Table 4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680 ^a	.463	.458	.991

a. Predictors: (Constant), Training and development, Performance appraisal, Compensation and benefits

Table 5

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.154	3	12.718	101.579	.0001 ^b
	Residual	44.322	354	.125		
	Total	82.477	357			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Training and development, Performance appraisal, compensation and benefits

Based on Table 5, the ANOVA results indicate an F-value of 101.579 and a p-value of 0.0001 which implies that the model of *Training and development, Performance appraisal, Compensation and Benefits* in predicting organizational performance is significant.

Table 6

Model parameters

Model parameters (OP):						
Source	Beta Value	Standard error	t	Pr > t	Lower bound (95%)	Upper bound (95%)
Intercept	0.737	0.196	3.752	0.000	0.351	1.123
Training and Development	0.403	0.104	3.876	0.000	0.198	0.607
Performance appraisal	-0.187	0.127	-1.469	0.143	-0.437	0.063
Compensation and Benefit	0.602	0.076	7.924	< 0.0001	0.453	0.752

Table 6 demonstrates that the Beta value for training and development is 0.403 and the p-value is 0.000 which is less than 0.05. This indicates that, the relationship between training and development and organizational Performance is significant. This means that when

organisations provide more training and development programmes, then organisational performance will improved.

For compensation and benefit, the Beta value is 0.602, while the p-value is < 0.0001 which is less than 0.05. This demonstrates the relationship between compensation and benefits with organisational performance is significant. The results also reveals that when organisations give better compensation and benefits then organisational performance will improved.

As for performance appraisal, the Beta value is -0.187, whereas, the p-value is 0.143, which is more than 0.05. Therefore the relationship between performance appraisal and organisational performance is not significant. In accordance with the result, performance appraisal will not affect level of organisational performance.

Conclusion

The primary goal of this research is to investigate the relationship between training and development, performance evaluation, compensation and benefits, and organisational performance. The findings of this study have contributed to the HRM literature and are significant for academics because they confirm that training and development, performance appraisal, and compensation and benefits are important contributors to organisational performance, which ultimately benefits organisations. This is consistent with the findings of (Afroz, 2018; Maley, 2014; Abdul Kadir, 2019).

The findings of this study also have practical implications for insurance companies. According to the findings, the independent variables of training and development, performance appraisal, and compensation and benefits are all positively related to the dependent variable of organisational performance. This means that when organisations improve their HRM practises, they improve organisational performance among their employees. Training and development, performance appraisal, and compensation and benefits all play important roles in employee development. As a result, they have an effect on organisational performance (Kimanthi, 2020; Zhu, 2018; Ismail, 2019).

Limitation of the study include that the collection of data for this study was only done within a select number of insurance firms in Malaysia, hence the results may not be applicable to other insurance companies. This has the potential to affect the findings and conclusions about HRM functions and how they are related to organisational performance in the insurance industry in Malaysia. As a result, a more comprehensive set of studies and questionnaires needs to be distributed to a variety of insurance companies within the state's area so that additional research can be conducted on the relationship between these variables and organisational performance within the context of larger macroeconomic factors. In addition to employee personal elements pertaining to benefits and growth that were taken into account in this study, future research might also take into account geographical, sociological, and other factors. This would further improve the study output for researchers and academics.

The future research related on the consequences of organisational performance, including the potential positive and negative effects of organisational performance on individual, group, and organisational performance, as well as for those who perform organisational performance, needs to be conducted. With the use of this new research, we might be able to determine the cause of why one variable does not exhibit a high degree of strength in generating organisational performance. In addition, the study might be expanded to include the investigation of additional aspects of HRM practises in addition to the

aforementioned three components. In conclusion, a mediator may be included in the study framework as a means of bridging the gap between the relationship between the independent variables and the performance of the organisation.

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