



Influence of Talent Management on Competitiveness of Insurances Firms in Kenya: A Case of Britam-Kenya

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Abstract

The purpose of the study was to investigate influence of talent management on competitiveness of insurances firms in Kenya: A Case of Britam-Kenya. This study used descriptive survey method to collect both quantitative and qualitative data that helped analyze the talent management process in Britam. A study population of 112 was drawn from 326 employees from Britam working in the greater Nairobi Region. The study used primary data using structured and unstructured questionnaires on which a pilot study had been earlier conducted to test its reliability. The collected data was compiled in an electronic spreadsheet and analyzed using a Statistical Package for Social Sciences (SPSS) version 22. The presentation of the findings involved use of tables, pie charts and bar charts while correlation analysis and regression analysis examined the relationship between influences of talent management and the attainment of competitive advantage. The study revealed that the acquisition of talent with the appropriate competencies and their further training to horn the requisite skill repertoire is critical. The study further established that retention of the talented staff was essential just as is the need to ensure an effective supply of talent through succession planning. It was evident that insurance companies need to identify unique ways to develop competitive advantage over their competitors by advancing talent management initiatives. The findings of this study are useful to insurance companies in deploying talent to leverage existing use of data and analytics to generate greater insight in managing risks, seek to utilize new approaches to underwrite risk and predict loss, and enable competitiveness with sophisticated operational capabilities.

Keywords: *Talent Management, Competitiveness, Insurances Firms*

1.0 Introduction

The Insurance industry in Kenya comprises various entities transacting or supporting insurance business in Kenya. As at close of the year 2016 Kenya's insurance sector comprised of 50 registered insurance companies supervised by Insurance Regulatory Authority (IRA). IRA is an authority whose supervisory and regulatory role of the sector has contributed immensely to the growth of business and hence organizational performance (Turana, 2010).

The recent upward economic growth in Kenya is underpinned by a growing middle class, discovery of oil and gas deposits, major investments in infrastructure projects as well as the shifting demographics have continued to create immense opportunities for the insurance sector in Kenya (IRA, 2016). The growth coupled with the legislative and supervisory framework and an increasing consumer awareness has pushed up demand not only for insurance products but more importantly push for, the quality of services rendered. This demand witnessed over the recent years pushed insurers to fundamentally relook at their business models in terms of innovation (channels and products) and reach. As Kenya remains the largest insurance market within the East Africa Community, a number of locally registered ICs continue to establish subsidiaries and associate companies within the EAC partner states.

Competitiveness is closely hinged on what Porter, (2008) call competitiveness as the concept where firms engage in strategic activities that would be difficult for competitors to copy or imitate quickly. Accenture(2011), views competitive advantage as the unique position that an organization develops in relation to competitors that allow it to outperform them consistently. It is generally accepted amongst management researchers (Dyer & Nobreka, 2006; Ordóñez de Pablos, 2004) that a competitiveness comes from the internal qualities of an organization that are hard to imitate and human capital is one such internal resource. Resource and knowledge based views recognize a firms' knowledge resources as a core to achieving competitiveness. It is in this regard that Heinen and O'Neill (2004) argued that Talent Management (TM) is the best way to create competitiveness that stems from valuable, company-specific resources that cannot be imitated or substituted by competitors easily and gives a company an edge over others.

Talent Management (TM) points to sourcing, recognizing, recruiting, developing, promoting and retaining employees that exhibit high skill and potential and can advance within the organization (Laff, 2006). According to Berger and Berger (2009), need for talent is largely driven by macro organizational competitive trends. These include new cycles of business growth that require diverse employee talent, the changing workforce demographics with reducing labour pools (Talent squeeze), and complex economic conditions which require segregated talent and TM. The emergence of numerous small and medium- sized companies competitively targeting comparable employees also sought by large companies, by offering opportunities for individual impact and income advancement that few large companies can match, Increased job mobility worldwide, as a result top employee performers shifting employers more than twice in their careers. A global focus on effective leadership that is now permeating many levels of organizations.

1.2 Problem Statement

According to PWC (2013), legislation, regulation and a robust supervisory framework in any country creates an enabling environment and business opportunities for all entrepreneurs. In Kenya, the Insurance Regulatory Authority (IRA) has had a profound supervisory impact in the insurance industry but this has not led to insurance companies to be competitive. Deloitte (2015) report has noted the challenges facing the insurance industry in Kenya by pointing at the meager contribution of the insurance industry at 2.63% of the Gross Domestic Product (GDP) in Kenya compared to other countries like South Africa which has a contribution of 9.94%. Further they have pointed out that in Malaysia 41% of the population have some forms of life insurance in comparison while Kenya has less than 1% of the population insured. IRA (2013) illustrate the gravity of the exposure by stating that on average one insurance firm was going under or was placed under receivership after every four years since 1985. IRA (ibid) has also drew our attention to the practice of some insurance companies which underpriced their services only to end up being unable to service the claims. What comes to mind is the question of whether there is an alternative way in which ICs can attain competitiveness apart from the traditional ways of price wars.

Kenyan's uptake of insurance cover, both at corporate and personal level, remains predominantly in the motor, fire industrial and personal accident (mainly group medical cover) classes. This was an illustration of poor attitude and scanty trust towards personal insurance cover in general and, subtly, it underscored the cut throat competition for the thin market because the ICs chased the services that had a greater uptake meaning that the 50 licensed insurance companies in Kenya competed for a limited market thus the low levels of penetration (PWC 2013).

PWC (2016), insurance Report raised several issues that posed a challenge to ICs in Kenya now: the limited array of insurances services offered by ICs, the changing customer needs and their demands for greater interactions and geographical reach with strategic relationships. PWC also point at the emerging technological trends in big data, analytics for use to generate insight into risk management, and the emerging mobile phone technology- and finally, the need to adopt new approaches to underwriting risk and prediction of loss, and most crucially the ICs ability to transform into institutions of competitiveness with sophisticated operational capabilities.

What then is the approach to the forgoing challenge of an underperforming insurance industry in Kenya? Boston Consulting Group, (2015); Deloitte, (2015) have asserted that companies that wish to realize a consistent growth trajectory will need to envisage, embrace, and navigate around challenges of implementing TM in their companies. This has been echoed by PWC in their reports of (2015 and 2016) in which it's noted that today's competitive marketplace continues to make human talent a primary driver for competitiveness. However, there is little research done on whether and how TM can bring about competitiveness in ICs. This has created a knowledge gap that this study seeks to address by studying the effect of TM on competitiveness in ICs with focus on Britam Insurance.

Study Objectives

- i. To find out how talent acquisition influences Britam's competitiveness
- ii. To examine how talent training influences Britam's competitiveness
- iii. To assess how talent retention influence Britam's competitiveness
- iv. To establish how succession planning influences Britam's competitiveness

2.0 Literature Review

2.1 Theoretical Literature Review

2.1.1 Talent Management Evolution Theory

Organizations are comprised of people and in order to win in the market place, the organizations need the best people available and the best talent (Barlow,2005). Ultimately, talent, not out of altruism but out of a need, to drive organizational performance is the key to Talent Management (TM). It is not enough just to hire great people or to develop great people. With great people with lousy results, the outcome is a lousy organization. Results are king. Obtaining desired results rest on aligning and integrating the key components of talent management (Barlow, 2005).

2.1.2 Human Capital Theory

Armstrong and Baron (2007) noted that, While it is individuals who generate, retain and use knowledge (human capital), this knowledge is enhanced by interactions between them at work (social capital) to generate the institutionalized knowledge possessed by an organization (organizational capital).

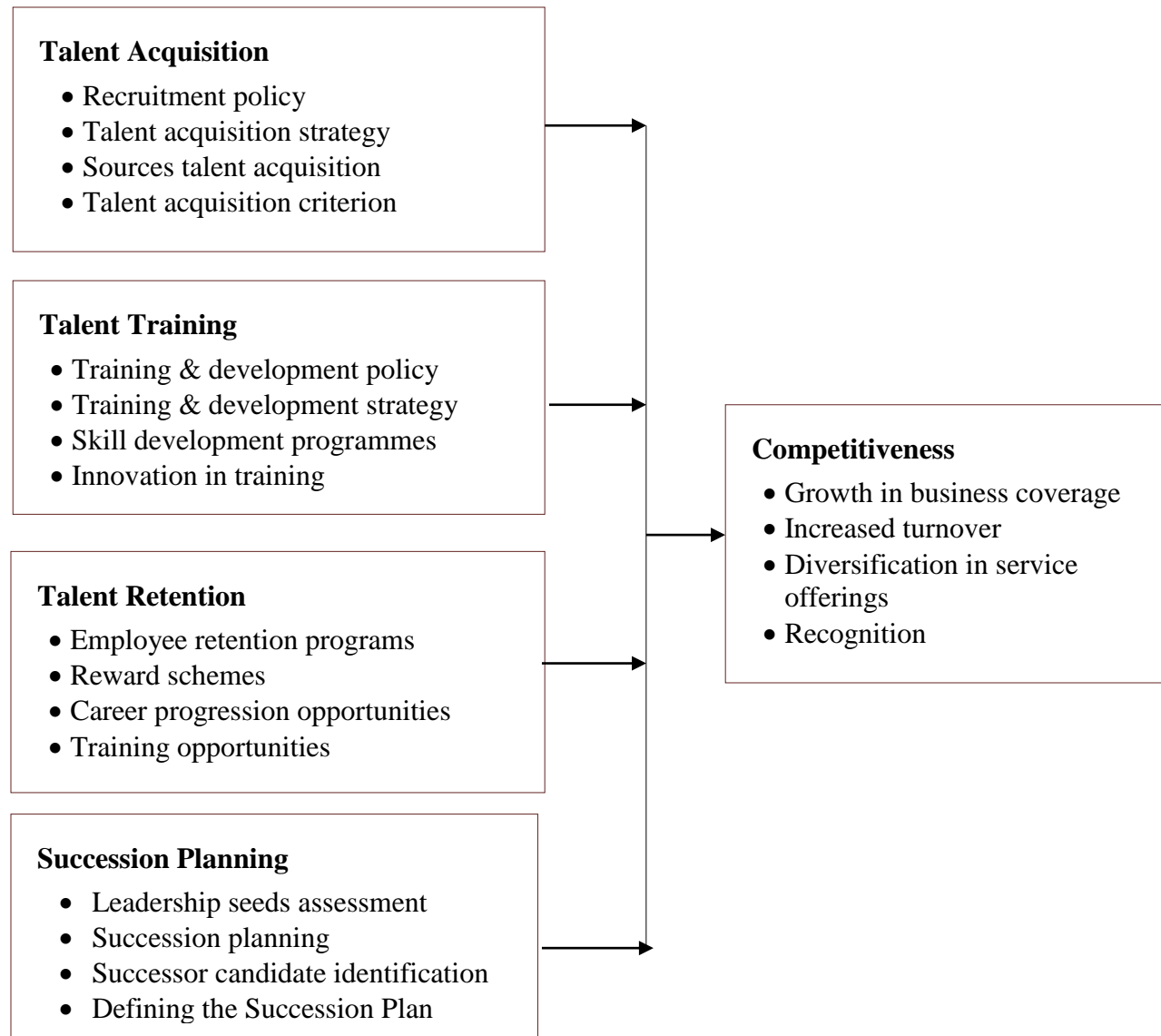
Through this social process, intelligence is created as organizational member's share and exchange knowledge. The knowledge created through this social process is then expected to be utilized in creative and innovative work processes in order to enhance the productivity and competitiveness of the firm. Indeed, Kessler and Liesmann (2006) assert that the identification or even accumulation of exceptionally talented individuals is not enough for an organization to be successful and are not sources of competitiveness in this respect they strongly belief that effective HRM practices need to be in place to transform the human resources in a firm to HC that can generate long-lasting value for it. As a result, Clulow, Gerstman, and Carol (2010) argue that both the management and motivation of employees and an enabling organizational and social infrastructure are necessary in order to reap the benefits of a capable workforce.

2.1.3 Requisite Organization Theory

The development of the Requisite Organizational theory started with Dr. Elliott Jacques in the 1950's. It is an all-encompassing systems theory focused on designing, staffing, and managing work in organizations. The theory is a science-based management theory that traces organizational dysfunction to poor structure and systems rather than underperforming employees. The theory holds that, an employee's prospective aptitude is the key factor in identifying talent within a succession management strategy and is measured in the unit of time-horizon. An individual's time horizon is the length of time into the future that he or she can plan and work. According to Abdillea

(2013), making plans and carrying them out in the future requires an increasing amount of complex mental processing the further the distance into the future. It follows that ability to handle complexity of mental processing is proportional to potential capability.

2.2 Conceptual framework



Independent Variable

Dependent Variable

Figure 1: Conceptual framework

2.3 Empirical Review

Chikumbi (2011) found that while focus on competitive pay packages to attract and retain talented cadres is clearly effective in manifesting job motivation, complimentary strategic HR practices are profoundly important in achieving talent retention. The results also showed that there is a growing recognition of the importance of the employee-organizational link. He identified the several HR approaches that are undertaken by the study companies to retain talented cadres: recruitment and selection, salary and compensation, fringe benefits, training and development; and performance appraisal (PA) systems, as well as promotion and career advancement.

Eshiteti *et al.* (2013) opined that companies that maintain the best practice in talent retention attain competitiveness. Indeed the companies seem to follow all if not most of the following ten best practices: commitment and involvement of the CEO and Board, regular talent reviews, identifying viable successors for key positions, taking a “pipeline” approach to development, holding the executive team accountable, aligning the succession plan with business strategy, managing the irrational, political, and emotional dynamics of succession, assessing performance of potential successors, integrating succession planning with performance management, recruitment, selection, development and rewards and making a serious commitment to development in terms of time and resources.

Maalu, McCormick, K’Obonyo and Machuki (2013) results indicated that family owned SMEs in Nairobi did not explicitly document their succession strategy. However contrary to expectations regarding the nature of succession, it was evident that they make significant unwritten plans for trans-generational succession. While the study did not indicate a strong and significant relationship between succession and firm performance, it emerged from the case studies that firms that went through smooth succession also recorded significant growth post transition. The sampling frame in their study was limited to family owned SMEs in Nairobi which were mostly private organizations. Therefore, there is limitation on the extent to which their results could be generalized across non-family owned businesses. The current study considered an insurance business in order to generalize and enhance their findings.

Adhiambo (2014) study showed that human resource planning: employee resourcing, career planning, succession planning and human resource development were statistically significant in influencing performance. Specifically, the study concluded that succession planning influences employees productivity positively.

3.0 Research Methodology

This study used descriptive survey method to collect both quantitative and qualitative data that helped analyze the talent management process in Britam. A study population of 112 was drawn from 326 employees from Britam working in the greater Nairobi Region. The study used primary data using structured and unstructured questionnaires on which a pilot study had been earlier conducted to test its reliability. The collected data was compiled in an electronic spreadsheet and analyzed using a Statistical Package for Social Sciences (SPSS) -. The presentation of the findings involved use of tables, pie charts and bar charts while correlation analysis and regression analysis examined the relationship between influences of talent management and the attainment of competitive advantage.

4.0 Results and Discussions

Multiple regression was used to determine relationship between the variables. From the findings in the table 1 the value of adjusted R squared was 0.698, an indication that there was variation of 69.8% on the competitiveness due to changes in talent acquisition, talent training, talent retention and succession planning at 95% confidence interval. This shows that 69.8 % changes in competitiveness could be accounted to changes in talent acquisition, talent training, talent retention and succession planning. $R=0.849$ shows the relationship between the study variables was a strong positive relationship.

Table 1: Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.849	0.721	0.698	0.0342

Analysis of Variance

From the ANOVA statics in the Table 2, the F calculated value was greater than the F critical value ($5.922 > 2.306$) an indication that there were significant relationship between competitiveness and talent acquisition, talent training, talent retention and succession planning. The significance value was less than 0.05 indicating goodness of fit of the model.

Table 2: Analysis of Varinace

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.322	4	0.581	5.922	.005
Residual	9.312	95	0.098		
Total	11.634	99			

Regression Coefficients

From the regression findings in Table 3, the study revealed that talent acquisition, talent training, talent retention and succession planning were statistically significant to affecting competitiveness, as all the p value (sig) were less than 0.05. The study also found that there was a positive relationship between competitiveness and talent acquisition, talent training, talent retention and succession planning.

Table 3: Coefficients

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.221	0.178		6.860	0.002
Talent Acquisition	0.439	0.098	0.411	4.480	0.004
Talent Training	0.513	0.091	0.479	5.637	0.004
Talent Retention	0.486	0.064	0.358	7.594	0.001
Succession Planning	0.508	0.061	0.455	8.328	0.000

4.1 Discussion

The study found that there is a talent acquisition policy that guides processes and procedures in talent acquisition in Britam. The process of acquisition involves competitive sourcing, use of psychometric tests, candidate interview, and talent acquisition is guided by an existing recruitment policy and process, the technical candidates are subjected to testing and to due diligence. All the foregoing functions are handled by a dedicated team within the HR Department. From the responses it was established that Britam uses various methods to source for talent including: Education institutions are mostly used in acquisition of talent, the print media, and advertisement through the increasingly popular social media, through professional associations and through headhunting. In regard to the criterion used in the selection of talent, the element that emerged as the most important was the performance history of the candidate, academic attainment record is used in selection of talent, skill bases. Britam also bases its selection on the statutory requirements of the insurance industry and the professional qualifications.

The study revealed that Britam has a training and development policy that underpins all training activities. It is this policy that drives strategy whose cornerstone is identifying training needs and establishing skill gaps. The talent training plans, development and peer and leaning, and mentoring programmes are very important to the Britam training strategy. Of importance too is the basis that informs the skill development planning in which it emerged that the programmes in Britam are driven by the need for skills, Britam's business needs, individual employee needs. Others are the mentorship, coaching, and leadership skill development programmes that need to be put in place. Lastly, it was established that Britam has taken to Computer Aided Training as the new dispensation in training approach. It emerged that it has immediacy, wider reach, comparatively cheaper and affords the learners ability to move at their most optimum pace.

It was establish that performance, team culture, career development, talent compensation strategies, and employee engagement are core to talent retention programmes in Britam. It was established that to a great extent there is a strong adoption to a compensation schemes tailored to reward talent. Britam has adopted a pay for performance programme where employees are paid for target achievement on individual basis and bonuses and stock ownership programmes and rewards based on companywide business achievements. The remuneration for employees is competitive and matched to the finance industry compensation plans.

The Study results revealed that leadership needs analysis is done in Britam to choose a leader with the best leadership potential to run the organization. Managers are involved in leadership development programmes, the point at which management gets involved in identifying future leaders of Britam is well defined, and all managers are involved in identifying employees with leadership potential and those who have interest in leadership positions are encouraged to develop the specific skills and gain the experience they need. Succession planning tracking is done and measured in Britam. The management participates by mentoring the employees who are to be given higher positions to achieve organization objectives. In Britam, succession plans are so well defined to the extent that the possible candidate to fill a position knows early enough.

5.0 Conclusions

The study found that talent acquisition was statistically significant to competitiveness. This implies that a unit increase in talent acquisition will lead to a unit increase in competitiveness. The study concludes that talent acquisition is positively related to competitiveness. This finding is in tandem with the Talent Management Evolution Theory that espouses the need for effective acquisition of the right talent for a job as insurance companies require specific skills to attain competitiveness.

The study found that talent training was statistically significant to competitiveness. This implies that a unit increase in talent training will lead to a unit increase in competitiveness. The study concludes that talent training is positively related to competitiveness. This finding is what the Human Capital Theory (HCT) is hinged on: that the knowledge and skills that an employee acquires through education and training is a form of capital, and this capital is a product of deliberate investment that yields a return in this case the attainment of competitiveness.

The study found that talent retention was statistically significant to competitiveness. This implies that a unit increase in talent retention will lead to a unit increase in competitiveness. The study concludes that talent retention is positively related to competitiveness. The findings here are an epitome of the Organization Effectiveness Theory that revolve around the retention and exploitation of talent as a critical resource to attain competitiveness though the four traits of involvement, consistency, adaptability, and mission.

The study found that talent retention was statistically significant to competitiveness. This implies that a unit increase in talent retention will lead to a unit increase in competitiveness. The study concludes that talent retention is positively related to competitiveness. This finding is in tandem with the Requisite Organization Theory, whose thrust is that organizations identify critical talent within a succession management strategy that allows organizations to visualize the career trajectory of employees and select succession candidates that will help it attain competitiveness.

6.0 Recommendations

Competitiveness is dominating the strategic thrust of every Insurance Companies in view of the complex business environment in Kenya. Competitiveness, more than ever before, is to a great measure embedded in the caliber of talent an Insurance Company has, they must apply talent management through talent acquisition, training, retention and succession planning to meet customer needs with a greater range of insurance services, work at strong customer loyalty, and strengthen their organizational capabilities and reach for strategic relationships. Also Insurance Companies should deploy talent to leverage on the use of data and analytics to generate risk insights, seek to utilize new approaches to underwrite risk and loss prediction, and enable competitiveness with sophisticated Operational capabilities.

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