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# The Mediating Effect of Human Resource Management Practice on the Relationship between Corporate Governance and Performance of Insurance Companies in Kenya

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## Abstract

Human resource management practice is conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives. Human resource management practices are posited to play a very important role in ensuring overall performance. This study sought to assess the mediating effect of human resource management practice on the relationship between corporate governance and performance of insurance companies in Kenya. The philosophical foundation of this study was positivism, where quantitative data was used. Cross-sectional survey design was adopted for this study. The study population comprised of 52 insurance companies licensed in Kenya as at December 2017. The respondents were the Senior Managers and the general employees. Census method was used to obtain the number of senior management where a CEO and Human Resource Manager were used from each insurance company. This study utilized primary data that was collected using questionnaires. The study concludes that there exist a full mediation effect of human resource management practice on the relationship between corporate governance and performance. A well-defined framework of human resource management practice benefits the organization and the employees. Human resource management practice of an organization benefits the employee by providing better opportunities for growth in terms of better compensation, benefits, training and development opportunities and career management in turn leading to job satisfaction, self-fulfillment and improved performance. The study recommends on developing training programs for the managers on the need for good corporate governance and mechanisms of improving organization performance through creating competitive advantage.

**Keywords:** *Human Resource Management Practice, Corporate Governance, Performance, Insurance Companies & Kenya.*

## 1.1 Introduction

Human resource management practice plays an important role in ensuring overall performance. HRM practice ensures employees' job security as this is considered to be among the most decisive factor in determining the productivity of employees (Noe, Hollenbeck, Gerhart & Wright, 2017). This is because, guaranteeing employees security of their jobs enables them to work hard and achieve the objectives set by their employers. This means that when employment security is threatened, there is normally a decline in overall employee productivity since employees will not be willing to give all in performance of their duties due to uncertainty of their jobs (Noe, Hollenbeck, Gerhart & Wright, 2017). Employment security also benefits organizations because it helps them retain their staff and avoid recruitment of new staff, which is normally a costly process (Sikora & Ferris, 2018).

Human resource management practice is also conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives. Likewise, Minbaeva (2015) view human resource management practice as a set of practices used by organizations to manage human resources through facilitating the development of competencies that are firm specific, produce complex social relations and generate organization knowledge to sustain competitive advantage. According to Tangthong *et al.*, (2018) human resource management practice comprise policies and procedures developed by organizations to direct and guide employee behavior thereby improving performance. The human resource management function is essential in guaranteeing sustainability through its involvement in financial and societal development. Personnel who comprise the human resources are a critical part of each company and businesses have long been concerned with the best way to deal with employees. The human resources in an organization create competitive advantage through implementation of appropriate organization strategies that drive performance (Armstrong & Taylor, 2018).

The HRM practices identified in literature are human resource planning, recruitment and selection, training, appraisal and staff compensation. Human resource planning is the process of anticipating and carrying out the movement of people into, within, and out of the organization. Human resources planning is done to achieve the optimum use of human resources and to have the correct number and types of employees needed to meet goals (Bratton & Gold, 2017). Thus, it is a double-edged weapon which when effectively utilized leads not only to proper utilization, but also reduces excessive labour turnover, high absenteeism and improves staff productivity. Human resource planning is also considered as the task of assessing and anticipating the skill, knowledge and labour time requirements of the organization, and initiating action to fulfil all these requirements.

Training, a HRM practice, involves the change of skills, knowledge, attitudes, or behaviour of employees. Organizations usually carry out training programs for various reasons though the ultimate reason is to upgrade employee skills. It is recommended that employees should have opportunity to upgrade their knowledge and skill through HRD interventions which could include training, workshops, exposures, exchange visits and any other form of development opportunity provided by the organization (Brewster, 2017). Further, compensation as an HRM practice refers to all forms of pay or rewards going to employees and arising from their employment. Thus, compensation refers to what employee receives in exchange for their work. Performance appraisal is the tool by which the performance of an employee is measured in order to establish the gaps and plan future development in order to enable a better foot between the

jobs and the incumbent. It is a HR process for driving business results. It is defining in advance what must an individual do to win in the market place and later on assessing the performance based on the extent to which results are achieved (Brewster, 2017).

Further, assessing performance is very essential for top management. When assessing performance, two key considerations must always be considered which are performance measures and performance referents. A performance measure is a metric along which organizations performance can be gauged (Shin, & Konrad, 2017). Most executives examine measures such as profits, stock price, and sales in an attempt to better understand how well their organizations are competing in the market. However, these measures provide just a glimpse of performance. Performance referents are also needed to assess whether an organization is doing well. A performance referent is a benchmark used to make sense of an organization's standing along a performance measure. Using a variety of performance measures and referents is valuable because different measures and referents provide different information about an organization's functioning. For the purpose of this study, non-financial indicators, employee and customers satisfaction, market share and extent of employee retention was used to measure the performance of insurance companies in Kenya.

## **1.2 Statement of the Problem**

In 2020, general insurance premiums recorded a marginal decrease in quarter three from 0.1% to KES 105.10 billion compared to a growth of 3.7% recorded in quarter three of the previous year. The general insurance business underwriters incurred claims amounting to KES 43.43 billion as at end of Q3 2020. The claims incurred loss ratio decreased to 63.3% during this period from 65.3% reported in Q3 2019. The general insurance business underwriters reported an underwriting loss of KES 879.28 million compared to an underwriting loss of KES 2.66 billion reported in Q3 2019 (AKI, 2020). The insurance sector in Kenya has had a turbulent history and challenges arising out of premium undercutting, fraud, low penetration and unpaid claims (Wanyama & Olweny, 2013). The closure of several large insurance companies including Kenya National insurance company, Stallion insurance company, Access insurance company, Standard Assurance Company, Lake Star Insurance, United Insurance and others in the last two decades has been linked to poor corporate governance. Wanyama and Olweny (2013) found that the collapse of insurance companies was as a consequence of high claims and fraudulent price undercutting. Muriithi (2019) found that inspite of increase in regulation, insurance companies are fraught with scandals amid weakening corporate governance framework. The sub- optimal performance of insurance companies has seen the contribution to GDP drop.

Olayo (2017) study on the effect of strategic human resource management practices on performance of parastatals in Kenya presents both a conceptual gap and contextual gap as it was limited to the commercial parastatals in Kenya. The study also focused on the direct effect of HRM practices on performance as moderated by corruption while the current study focused on the insurance companies in Kenya where HRM practices was the mediating variable in the relationship between corporate governance and performance. This study addressed these gap by introducing human resource management practices as mediating variable to examine whether corporate governance influence on performance in the insurance companies in Kenya can be improved by adopting efficient human resource management practice.

### 1.3 Objective of the Study

To establish the mediating effect of human resource management practice on the relationship between corporate governance and performance of insurance companies in Kenya.

## 2. Literature review

### 2.1 Theoretical Literature Review

#### Resource Based View Theory

Penrose (1959) conceptualized the Resource Based-View (RBV) theory that postulates that for a resource to create competitive advantage it should generate economic value, not imitable, scarce, non-substitutable, and not readily accessible. McIvor (2009) suggested that a company consists of a collection of physical and human resources bound together in a structure. Hafeez et al. (2007) further categorized resources as either physical assets or intellectual assets. Assets that are physical in nature are tangible and easily identifiable. Intellectual capital is intangible and comprises of the human aspects such as employee skill, knowledge and individual competencies (Hafeez *et al.*, 2007). Research has shown that resources determine firm performance (Gottschalk & Solli-Saether, 2005; McIvor, 2009).

Human resources are hence viewed as the accumulation of knowledge, skills, and abilities that an individual possesses, which the organization has built up overtime into an identifiable expertise which influences their performance and organization performance at large (Danish and Usman, 2010). The Resourced based view model views human capital as a potential source for gaining competitive advantage by leveraging on it (Hoskisson *et al.*, 1999). This theory helps in determining the resources available within an organization and associates them to their skills, competencies and capabilities. For a company to achieve sustained success in the market place and maintain a competitive edge over its rivals, it has to be underpinned by an appropriate set of superior resources and capabilities (employee's skills and experience).

Although the resource based view theory explains the interrelationship between human resources as a source of competitive advantage and firm performance it does not actually provide evidence of the adoption of the various human resource management practices by organizations that lead to superior performance (Bratton, 2007). The Behavioral theory of the firm conceptualized by Cyert and March (1963) compensates the narrow view of the resource based view by presenting a diverse pool of theorizing behavior that explain how a firm's competencies and capabilities generate value and profits. The resource based view theory looks at what happens inside the firm, how decisions are made, value creating activities and utilizing various resource input to stir performance. Cybert and March (1963) therefore opined that to maximize behavior of intellectual assets requires inducement from the organization in return for their contributions and their aim to maximize these inducements. Hence, managerial decisions are aimed at maximizing both personal and outcomes.

The resource based view theory is important in this study. It informs the need to review the role of HRM practices in this study on performance of insurance companies. Human resources constitute a resource to an organization. Resource based view theory argues that organization performance is determined by resources available. This argument points to the fact that human resources play a role in corporate performance. HRM practices include the acquisition,



development, utilization and maintenance practices. Inclusion of HRM practices and its constructs in this study was therefore informed by this theory.

## 2.2 Empirical Literature review

Wright (2015) conducted a study on the role of HRM practice in corporate governance in manufacturing firms in the USA. The study was carried out using 200 manufacturing firms in New York. The research adopted a multi-methodology approach based mainly on descriptive and analytical research methodologies. Descriptive research design was used to carry out the study. The study established that human resources has a vital position in corporate governance because it is believed to be the basic pillar when properly applied. The study established that the participation of the employee in the corporate governance was a clear indication of the position of human resources management in the corporate governance. The study concluded that the central purpose of HRM is enhancing performance and in turn HRM itself, is affected by the implementation of corporate governance practices. This study did not outline how the hypothesis was conducted in determining the interaction between corporate governance and HRM on performance. The study also creates a methodological gap as it used a descriptive research design while the current study used a cross sectional survey design.

Huselid (2017) conducted a study on the impact of human resource management practices on turnover, productivity, and corporate financial performance. The study comprehensively evaluated the links between systems of high performance work practices and firm performance of listed firms in the USA. Results based on a national sample of nearly one thousand firms indicated that resource management practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short and long-term measures of corporate financial performance. However, the study did not identify the explanatory variation of human resource management practices on the corporate financial performance of this firms. Further, the study was conducted on a developed economy that may present different findings and thus necessitating the current study.

Supangco (2016) studied the involvement and influence of human resource management practice on corporate governance in the Philippines. This study examined the relationship between the involvement of the human resource management function in formulating corporate governance mechanisms and the quality of their implementation. It also looked at the relationship between the quality of implementation of corporate governance mechanisms and performance. Of interest were two governance mechanisms: strategic plan elements and behavioural control practices. The results revealed that quality of implementation resulted in higher performance. Specifically, quality of implementation of strategic plan elements not only explained performance but also served as an important enabler of quality of implementation of behavioural control policies. The importance of HR involvement, however, was realized in its impact on quality of implementation. This study created a conceptual gap based on the relationship between human resource management practice on corporate governance. The study did not address how organization performance was affected by the relationship between human resource management practice on corporate governance which the current study addressed by the input of HRM as a mediating factor.

Imocho (2017) conducted a study on influence of human resource management practices on employee satisfaction and performance in manufacturing firms based in Nairobi City County, Kenya. The study adopted a descriptive research design. The study used a sample size of 80

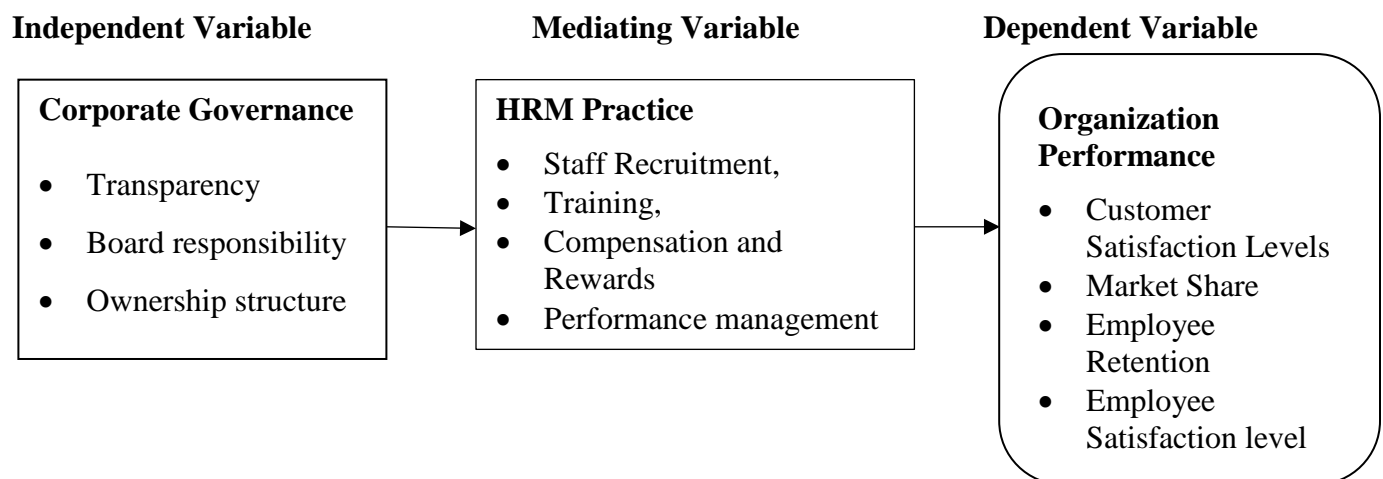
manufacturing firms registered in the Kenya Association of Manufacturers directory 2017. Primary data was collected through self-administered questionnaires sent to the Human Resource Managers of the selected firms or the relevant personnel dealing with human resource issues in the firms. The study used a questionnaire to collect the required primary data while secondary data was obtained from published documents. With the help of the Statistical Package for Social Sciences (SPSS), regression analysis was done and the results were used to test the relationship of the variables. The study established that resourcing practices and reward management practices were the major factors that affected employee satisfaction and consequently performance in manufacturing firms in Kenya. This study does not outline how the hypothesis was conducted in determining the interaction between corporate governance and HRM on performance. The study also creates a methodological gap as it used a descriptive research design while the current study used a cross sectional survey design.

### 2.3 Hypothesis of the Study

**H<sub>0</sub>:** Human resource management practice has no significant mediating effect on the relationship between corporate governance and performance of insurance companies in Kenya.

### 2.4 Conceptual Framework

The study's conceptual framework indicates a relationship between Corporate Governance as the independent variable HRM practice as the mediating variable and Organization Performance as the dependent variable. The conceptual model is illustrated in Figure 1.



**Figure 1: Conceptual Model**

### 3. Research Methodology

The philosophical foundation of this study was positivism, where quantitative data was used. This study thus adopted the positivist philosophy which is founded on objectivity, precision and scientific rigor to develop knowledge as opposed to the phenomenological approach which focusses on personal knowledge and subjectivity (Van Manen, 1997). The cross-sectional survey design was adopted for this study. The study population comprised of fifty two (52) insurance

companies in Kenya licensed by the Insurance Regulatory Authority (IRA) as at December 2017. These insurance companies constituted the unit of analysis. The respondents were the Senior Managers and the general employees. Census method was used to obtain the number of senior management where a CEO and Human Resource Managers were selected from each insurance company ( $52 \times 2 = 104$ ).

According to IRA (2017) report the total number of employees in the registered insurance companies was 7,411. Of this, 7,307 were general employees. These general employees were selected using Kothari's sampling formulae where a sample of 365 was realized. From the total of 365 general employees, 2 were selected from each of the 52 insurance company totaling to 104. This was done since the general employees work in the same organization and their responses were likely to be the same. Stratified random sampling was used to obtain the 104 general employees from the insurance companies. 20 participants were used for piloting and therefore, the total sample size was 188 made of 94 respondents in senior management and 94 from general employees. Table 1 shows the distribution of the respondents.

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**Table 1: Distribution of the Respondents**

Category	Position	No. of Insurance Firms	Number	Pilot	Total
Senior Managers	CEO	52	$1 \times 52$	5	47
General Employees	HRM	52	$1 \times 52$	5	47
	Junior	52	$2 \times 52$	10	94
<b>Total</b>				<b>20</b>	<b>188</b>

The study used primary collected using questionnaires. Prior to running a regression model pre-estimation and post estimation tests were conducted. The diagnostic tests conducted in this case were; normality test, multicollinearity, heteroscedasticity and linearity tests. The diagnostic analysis results met the requirements for conducting Classical Linear Regression Model.

The mediating effect was tested using a four-step approach as suggested by Baron and Kenny (1986) where regression analysis is conducted and the significance of coefficients is tested at each step.

Step 1: A Regression analysis with CG predicting P

$$P = \beta_0 + \beta_1 CG + \varepsilon$$

Step 2: A Regression analysis with CG predicting HRM

$$HRM = \beta_0 + \beta_1 CG + \varepsilon$$

Step 3: A Regression analysis with HRM Predicting P

$$P = \beta_0 + \beta_2 HRM + \varepsilon$$

Step 4: A Regression analyses with CG and HRM Predicting P

$$P = \beta_0 + \beta_1 CG + \beta_2 HRM + \varepsilon$$



Where

P =Performance

CG = Composite of Transparency, Board Responsibility and Ownership structure

HRM = Human Resource Management Practice

$\beta_0$  = Constant

$\beta_1, \beta_2$  = Beta coefficient

$\varepsilon$  = Error term

Steps 1-3 was used to establish that zero-order relationship existed among the variables. Situations where one or more of the relations is non – significant depicts no possibility of mediation (Baron & Kenny, 1986). If they are significant relationships from step 1 through 3, one proceeds to step 4 where mediation is supported if the effect of CG remains significant after controlling HRM. If HRM is not significant when CG is controlled, there is full mediation, and if both CG and M significantly predict Y, there is full mediation.

#### 4. Results and Findings

The study realized a success rate of 85.11%. According to Mugenda and Mugenda (2003) and Kothari (2004), a response rate of above 50% is adequate for a descriptive study. Babbie (2004) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Thus 85.11% was considered very good for the study.

##### 4.1 Correlation Analysis

Correlation analysis was carried out to determine the association between corporate governance, and organization performance. The mean score for each of the independent variables was calculated and the Pearson's correlation obtained using SPSS. The correlations were done at 0.05 significance level with one asterisk (\*) or a 0.01 significance level with two asterisks. To determine whether the correlation between variables is significant, one needs to compare the p-value to the significance level used. A significance level (denoted as  $\alpha$  or alpha) of 0.05 works well. An  $\alpha$  of 0.05 indicates that the risk of concluding that a correlation exists when, actually, no correlation exists is 5%. The p-value indicate whether the correlation coefficient is significantly different from 0 or not. When the p-value is less than or equal to 0.05 the correlation is statistically significant. However, if the p-value is greater than 0.05 or the significant level then correlation is not statistically significant (Statistics Solution, 2018). The correlation results are presented in Table 2.

**Table 2: Correlation Matrix**

Variables		Performance	Corporate Governance	HRM
Performance	Pearson			
	Correlation	1.000		
	Sig. (2-tailed)			
Corporate Governance	Pearson			
	Correlation	0.718**	1.000	
	Sig. (2-tailed)	0.000		

HRM	Pearson			
	Correlation	0.749**	0.676**	1.000
	Sig. (2-tailed)	0.000	0.000	

The results in Table 2 indicated that corporate governance was positively and significantly associated to performance ( $r=0.718$ ,  $p=0.00<0.05$ ). Human resource management practices was positively and significantly associated to performance ( $r=0.749$ ,  $p=0.00<0.05$ ). This was an indication that corporate governance and human resource management practices portrayed a strong connection with performance. Similar studies from Katou (2009) established that HRM policies have a mediating effect on HRM outcomes among manufacturing firms in Greece. Ibrahim and Zulkafli (2016) examined the mediating role of HRM practices on corporate governance and performance of Malaysian companies in the consumer product sector and Sumati *et al.*, (2016) found a significantly positive relationship between HRM practices and performance of educational institutions.

#### 4.2 Hypothesis Testing

The objective of the study was to establish the mediating effect of human resource management practice on the relationship between corporate governance and performance of insurance companies in Kenya. The hypothesis stated in the null form is as follows:

**H<sub>0</sub>: Human resource management practice has no significant mediating effect on the relationship between corporate governance and performance of insurance companies in Kenya.**

The mediating effect was analyzed in four (4) regression models. Regression analysis was done using SPSS by using average mean scores of Corporate Governance, HRM and performance. In the first model, corporate governance was predicted against performance. In the second model, corporate governance was predicted against HRM. In the third model, HRM was predicted against performance. In the fourth model, corporate governance and HRM were predicted against performance. The results are as shown in Table 3.

**Table 3: Regression Results for mediating role of HRM on the Relationship between Corporate Governance and Performance**

Dependent Variable	Model 1	Model 2	Model 3	Model 4
	OP= $\beta_0+\beta_1$ CG+ $\epsilon$	HRM= $\beta_0+\beta_1$ CG+ $\epsilon$	OP= $\beta_0+\beta_1$ HRM+ $\epsilon$	OP= $\beta_0+\beta_1$ CG+ $\beta_2$ HRM+ $\epsilon$
Organization performance	3.622(0.000)	-	3.450(0.000)	CG: 1.965(0.000) HRM: 2.237( 0.000)
HRM	-	0.741(0.000)		
Constant	-4.669	0.815	-3.958	-6.493
Rsquared	0.515	0.457	0.561	0.643

F-Statistic	82.935	65.665	99.724	69.482
Sig	0.000	0.000	0.000	0.000

As indicated in Table 3, the results for model one indicated that the regression model of performance on corporate governance is significant with an Rsquared of 51.5% and supported by  $F=82.935$ ,  $p<0.05$ . In the second model, the findings indicated that the regression model of Human resource practice on corporate governance is significant with an Rsquare of 0.457 and supported by  $F=65.665$  and  $p\text{-value}=0.000$ . In the third model, the findings indicated that the regression model of Human resource management practice on performance is significant with an Rsquare of 0.561% and supported by  $F=99.724$  and  $p\text{-value}=0.000$ . In fourth and last model, the findings indicated that the regression model of corporate governance ( $\beta=1.965$ , 0.000) and Human Resource Practice ( $\beta=2.237$ , 0.000) were significant with an Rsquare of 64.3% and supported by  $F=69.482$ .

The fitted models are;

$$\text{Model 1: } P = -4.669 + 3.622CG$$

$$\text{Model 2: } HRM = 0.815 + 0.741CG$$

$$\text{Model 3: } P = -3.958 + 3.450HRM$$

$$\text{Model 4: } P = -6.493 + 1.965CG + 2.237HRM$$

Model 1-3 were used to establish that zero-order relationship existed among the variables. Situations where one or more of the relations is non – significant depicts no possibility of mediation (Baron & Kenny, 1986). If they are significant relationships from model 1 through 3, one proceeds to model 4 where mediation is supported if the effect of CG remains significant after controlling HRM. If HRM is not significant when CG is controlled, there is partial mediation, and if both CG and HRM significantly predict P, there is full mediation.

Thus, model 1, 2 and 3 were met as the P-value were below 0.05. However, model 4 was not met as the p value for corporate governance was below 0.05. Therefore, this indicated that there exist a full mediation effect on the mediating role of human resource management practice on the relationship between corporate governance and performance.

### 4.3 Discussion

The objective of the study was to establish the mediating effect of human resource management practice on the relationship between corporate governance and performance of insurance companies in Kenya. The influence of human resource management practice as a mediator on the relationship between corporate governance and performance of insurance companies in Kenya was measured against performance.

The findings show that the regression model of corporate governance ( $\beta=1.965$ , 0.000) and Human Resource Practices ( $\beta=2.237$ , 0.000) were significant with an Rsquare of 64.3% and supported by  $F=69.482$ . Thus, step 1, 2 and 3 were met as the P-value were below 0.05. However, step 4 was not met as the p value for corporate governance was below 0.05. Therefore, this indicated that there exist a full mediation effect on the mediating role of human resource management practices on the relationship between corporate governance and performance.

The results are in line with those of Hutomo and Pudjiarti (2018) which showed that there is a correlation between corporate governance practices implemented in companies with the implementation of human resource management. Ibrahim and Zulkafli (2016) examined the mediating role of HRM practices on corporate governance and performance and established that HRM practices have a statistically significant influence on performance. The findings also implied that there was a connection between corporate governance practices employed in organizations and the styles of HRM practices executed. In addition, Sumati *et al.*, (2016) found a significantly positive relationship between HRM practices and performance of educational institutions. This HRM practices included remuneration, employee development, recruitment and career planning on performance.

This is also consistent with Oyewunmi, Adeyemi and Ogunnaike (2017) who established a significant relationship between the nature of employment contract and corporate governance practices. The implication of this is that human resource managers have significant roles to play in promoting compliance of corporate governance. On the other hand, corporate governance could help in enhancing human resource outcomes such as employees' commitment. The study established that integration of corporate governance practices could be improved with the adoption of appropriate employee engagement strategies. The required communication channels should also be fluid and adaptable to the corporate goals. Corporate resources is the company's most valued asset as evidenced by the company financial reports. This perspective seems limited, as the cumulative investment in human capital tends to be relatively higher over a significant period. It is critical to note that, accepted accounting rules also assign no value to human resource.

The findings are consistent with Nyambegera (2017) who posited that the shareholder view focuses narrowly on the owners interests that have borrowed heavily from the Anglo-US model of corporate governance leaving out a huge constituency of stakeholders also having interests in the firms' functioning. Corporate governance is one of the most important components of organization functioning as it should. It was clear that despite many corporate scandals not much or little has been written about HRM and corporate governance in the recent past and only a small number of articles cite corporate governance in their keywords, although prominent HR theorists have called for ways of conceptualizing HRM from a governance perspective. In Kenya, corporate governance has been an important topic because of corporate scandals such as the complaints on the composition of board members in state corporations along ethnic lines and the collapse of financial institutions. Mismanagement, bureaucracy, wastage, pilferage incompetence and irresponsibility by directors and employees have necessitated the need for HR practitioners and researchers to take this topic seriously.

## 5. Conclusion

The study concludes that there exist a full mediation effect on the mediating role of human resource management practices on the relationship between corporate governance and performance. A well-defined framework of human resource management practices benefits not only the organization but also the employee. Human resource practices of an organization benefit the employee by providing better opportunities for growth in terms of better compensation, benefits, training and development opportunities and career management in turn leading to job satisfaction, self-fulfillment and improved performance.

The study findings confirm the results of earlier research on the role of human resource practices as a source of competitive advantage. According to the resource - based view, organizations that adopt good human resource practices are able to integrate human resource with strategic choices hence improve performance. Therefore, adoption of human resource practices can add value to the organization by putting in place appropriate systems and mechanisms to ensure best practices in corporate governance are adhered to. The findings of this study therefore conclude that human resource practices are a key success factor for implementation of good corporate governance mechanisms. The findings form the basis for experts to critically consider the corporate governance – HRM nexus when developing policies to guide corporate governance.

## **6 Recommendations**

The full mediation effect of human resource practices in the relationship between corporate governance and organization performance contributes to literature on the role of human resource practices. These findings are very critical to Human Resource Managers to ensure they develop and implement policies that support corporate governance principles. Human Resource Managers should ensure that best practices in corporate governance are strictly adhered to by all staff in the organizations. Decision makers in the insurance industry in Kenya are guided by the findings of this study while recruiting leaders and Human resource managers and while developing policies for the organization. The findings of the study are useful guide for developing training programs for the managers on the need for good corporate governance and mechanisms of improving organization performance through creating competitive advantage. The decision makers will utilize the study findings to improve on human resource practices to entrench governance principles in the insurance industry.



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