The Effectiveness of Strategic Human Resource Management Practices on Firm Performance in the Malaysian Insurance Industry

Leap-Han Loo
Ph.D Candidate, Faculty of Economics & Administration, University of Malaya, 50603 Kuala Lumpur, Malaysia.
Email: michael.loo@hotmail.com

Loo-See Beh
Associate Professor, Faculty of Economics & Administration, University of Malaya, 50603 Kuala Lumpur, Malaysia.
Email: lucybeh@um.edu.my

Abstract
This study sought to investigate the relationship between SHRM practices and firm performance. A descriptive survey research design was used to gather primary data using self-administered questionnaire. The study population (n=312) was comprised of non-executives, executives, managers, and top management from seven major insurance firms at headquarter in the Klang Valley. The study found that performance appraisal, internal communication, SHRM alignment in the organization, and career planning were the best predictors of firm performance.

Keywords: Strategic Human Resource Management, Competitive Advantage, Firm Performance.

Introduction
The perceived level of productivity and customer service provided by the insurance industry in Malaysia has deteriorated due to lack of skilled and competent workforce. Organization today, specifically insurance industry is aware of the importance of strategic human resource management (SHRM) as the leading indicator in achieving improved sales growth and the creation of innovative insurance products. Therefore, local insurance firms have to be more efficient, productive and innovative on its SHRM practices implementation that is closely aligned to the firm’s objective, business needs as well the culture to sustain competitive advantage in the market. The contribution of this paper to the literature is twofold. First, the conceptual model of the study tested the relationship between SHRM practices and firm performance at the organizational level. The second contribution is to demonstrate the impact of the strength of the SHRM practices on firm performance.

Background of the Study
The impact of globalisation, market force and highly competitive markets has forced the insurance industry to be competitive (Kundu & Malhan, 2009) in order to sustain in the market,


