



IMPACT OF ORGANIZATIONAL CULTURE ON HR PRACTICES IN NEPALESE INSURANCE INDUSTRY

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Abstract

Today's business environment is predominantly dynamic because it imposes large opportunities and challenges to the organizations. And within the situation organization's culture is the one that drives the way, how an organization deals with such challenges and opportunities. Organizational culture has to adapt to satisfy the necessity of a dynamic business environment. So, an optimal culture is required to move the business activities efficiently, operate competitively and achieve success all told its endeavour. The aim of the study was to point out the impact of organizational culture on human resource practices in the insurance industry of Nepal and also to search out the factors that mainly influence the organizational culture of the insurance companies. The statistical analysis was made collecting 100 responses from employees of various insurance companies within Kathmandu valley. The purposive sampling method was used while selecting sample employees. The questionnaire was used to collect data from employees of insurance companies. The study results showed the strong relationship between the organization's culture, and HR practices explained by recruitment & selection, training & development and pay structure.

Keywords: organizational culture, human resource practices, the insurance industry

Introduction

Organizational culture is often termed as values, norms, shared assumptions, and beliefs that specify how people should behave in the organization. Every organization has its' own unique culture that contributes to the unique social and psychological environment of a business. Schein (1996) remarked culture as one of the foremost powerful and stable forces operating in organizations. And there are various factors that determine the culture of a corporation like the nature of the business, company values, policies and works ambience, management and kind of handling employees, client and external parties. Organizational culture is conceptualized as shared beliefs and values within the organization that helps to shape the behaviour patterns of employees (Schinder, 1998). Corporate culture and human resource practices are connected in

some ways. Human resource practices like recruitment and selection, training and development, and pay structure are shaped considering visions, values, beliefs, norms, assumptions and systems a corporation holds. And also the effectiveness of human resource practices helps to the goal attainment of organizations. A corporation can attract, retain, motivate and grab best human resource to realize its organizational goal by developing a strategic culture within the organization. Honest behaviour is headed by ethical values. A corporation can enrich its employee's behaviour with good conduct by embedding ethical values in its culture, and might also develop its employees as high performers. Since, Joshi, (2017) described that Nepal belongs to the country with high power distance, it's likely that organizational culture that fit with this condition is parochial type. Parochial culture is characterized by the tendency to relinquish much attention to some factors like a relation and private background, and less attention to capability and competency needed to perform the task. So, we believe that there's a scarcity or the scholar didn't sufficiently show the impact of organizational culture on human resource practices. Thus, the objective of this study is to reveal the impact of human resource practices on organizational culture and together with this; it tends to find out the most prominent factors that determine the culture of insurance companies in Nepal.

Literature review

Organizations recruit and choose employees to fulfil the resource demand for a corporation. Selecting a best competent employee that you simply need could be a tough job for top-level and human resource managers. The recruiting and selection process that a company follows is directed and influenced by the culture of that company (Economics Discussion, 2012).

Training and Development could be a systematic process of influencing an individual's skills, knowledge and attitudes to boost team and individual effectiveness (Business Jargons; Business Jargons 2015) and also the process that the organization adopts is plagued by the beliefs values and norms of the organization. Adewale, (2013) emphasized on recruitment and selection process because of the main experimental variable for the nice organizational performance. He found out that recruitment is the first interaction point of the organizational managers, and also the possible employee, and also the organization should make aware of the norms, and assumptions of the organization, so, they might find a stronger match. And if the employee doesn't fathom this then it's going to result in mismatch and termination of the job. And thus, the study suggested that potential employees should familiarize themselves with the culture of the organization before accepting job offers. The Model of Culture Fit concluded that there is a powerful association between organizational culture, and performance management practices. Model emphasized that organizations should create career paths for the employees working within the organization additionally on develop job security, and internal career development to realize high retention rates and low turnover. And also attain employee satisfaction and motivation to extend individual productivity and achieve organizational goals (Zeynep, 1991). The dimensions of the organization generally determine whether to possess or not to have an HR department (Agrawal, 2009). In Nepal, most of the organizations are small and medium-sized. Organizations with 100 million of fixed assets and fewer than 100

employees are defined as small and medium-sized by the government of Nepal. Gautam, (2011) conducted a research covering a range of sectors like manufacturing, services, etc. and revealed that 69 percent of the organizations have HR departments in Nepal. 28 percent have an HR director who features a place in the board of directors or equivalent and also the HR director is appointed from within the organization in a large percentage of companies. 90 percent of organizations have male HR representative and 68 percent of Nepali companies have written HR policy. Singh (2010) showed that there's a positive relationship between organizational culture and human resource practices. He also stated that HRM practices has become the source from where organizational cultures evolve and to alter the organizational culture Human resource managers must be prior to change and produce out strategic human resource practices. Thus, we can assume that there is positive relationship between organizational culture and human resource management.

Methodology

The research model is taken from the study of Adewale, 2013 with modification. The research design adopted during this study consists of descriptive and correlational research designs to cope with the assorted issues raised during this study. The descriptive design has been accustomed to determine position of cultural factors in practice in the insurance industry of Nepal and correlation research design has been used to assess the impacts of organizational culture on human resource practices. The insurance industries running in Nepal and employees of such companies working in Kathmandu valley were considered as population. Primary data were collected from the questionnaire. 150 employees of the insurance company from lower to managerial level was considered as sample. A structured five point Likert scale questionnaire was developed for the collection of opinion and responses of the respondents were collected administering questionnaire personally. Out of 150 respondents, 105 useable responses were obtained. Percentage and frequency was used to present the profile of the respondents. The T-test and correlation have been accustomed to examine the link between organizational culture and human resource practices. ANOVA is used to check the opinion difference among the groups regarding organizational culture and human resource practices. Likewise, cross-tabulation has been done to examine the factors influencing organizational culture.

Analysis and Results

This chapter presents the results from the findings of the study of Insurance Industry of Nepal. The findings are drawn from the analysis of responses obtained from administering the questionnaire. The information is presented in tables resulted from the analysis of responses using SPSS version 20.

Table 1. *Distribution of respondents by Gender*

Gender	Frequency	Percent
Male	61	58.1
Female	44	41.9
Total	105	100

Male respondents are more i.e. 58.1 per cent of total respondents. And the 41.9 percent are female respondents. It shows the high degree of male participation in the study and therefore the research result better reflects male workers' understanding on impact of organizational culture on human resource practices.

Table 2. *Distribution by Age*

Age	Frequency	Percent
Upto 20 years	1	0.95
21 - 30 years	86	81.9
31 - 40 years	14	13.33
Above 40 years	4	3.81
Total	105	100

Out of 105 respondents, the highest number of respondents fall under the age group of 21-30 years (81.9%), 13.33 % of employees fall under 31-40 years of age and the minimum is upto 20 years of age (0.95%). So, it's clear that most workers are from the youth group (20-40 years), (as per the provision of government policy of Nepal). Thus, study finding is biased on the opinion of young respondents.

Table 3. *Distribution by work experience*

Years of Work	Frequency	Percent
Upto 5 years	59	56.19
6 - 10 years	33	31.43
11 years and above	13	12.38
Total	105	100

The respondents can be categorized as less experienced as 56.19% of respondents worked below 5 years, while 31.43% worked 6-10 years and 12.38% worked above 11 years. It means that most respondents are at the start of their career and their responses dominated the study.

Table 4. *Distribution by Position*

Position	Frequency	Percent
Manager	21	20
Supervisor	18	17.14
Technical Staff	17	16.19
Others	49	46.66
Total	105	100.0

Of the 105 respondents, 20% are managers, 17.14% are supervisors, 16.19% are professional workers and 46.66% are from other roles. Other group of employees dominated the study. Generally study finding is dominated by the opinion of lower level workers.

Table 5: *Cross tabulation between Factors influencing organizational culture and organizational factors*

		Designation				Total
		Manager	Supervisor	Technical Staff	Others	
Factors influencing organizational culture	Nature of business	4 19.0%	2 11.10%	3 17.60%	8 16.3%	17 16.2%
	Company values, policies and work ambience	6 28.6%	5 27.80%	7 41.20%	17 34.7%	35 33.3%
	Management and its style of handling employees	5 23.8%	10 55.60%	5 29.40%	19 38.8%	39 37.1%
	Client and external parties	5 23.8%	0 0.00%	0 0.00%	2 4.10%	7 6.70%
Total		21 100%	18 100%	17 100%	49 100%	105 100%

From the table 5 it's evident that the majority of the managers believe company values, policies, and works ambience affect the organizational culture of an insurance industry. While supervisors, technical staffs and other staffs like agents, accountants, internal auditors and assistants believe that the culture of organizations is generally suffering from management and its form of handling employees. So, in aggregate, the study reflects that the culture of a company is affected mostly by management and its form of handling employees.

Table 6. *Organizational culture and employees' performance*

Organizational culture and HR practices	Frequency	Percent
Yes	102	97.1
No	3	2.9
Total	105	100

From the table 6, it is found that 97.1 percent respondents think that organizational culture plays important role for improving overall HR practices. And remaining 2.9 percent employees believe that it does not effect on HR practices. It shows that organization value, belief, norms

and way and they behave with each other strongly influence the HR policies and practices in the insurance industry of Nepal.

Table 7. *Independent sample t-test between organizational culture and HR practices*
(Levene's Test for Equality of Variances (t-test for Equality of Means)

		F	Sig.	t	df	Sig (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower		Upper
HR pract ice	Equal variances assumed	11.075	0.001	6.136	103	0	1.23	0.20046	0.832	1.628
	Equal variances not assumed			27.566	99	0	1.23	0.04462	1.1415	1.3185

From the table 7, it shows that p-value 0.001 which is less than significance level i.e. 0.05. It implies that organizational culture has a significant influence on HR practices. It illustrates; organizational culture i.e. mission, vision, values and norms shape out the various HR policies like hiring and selecting, training and development and pay policy in the insurance industry of Nepal.

Table 8. *Correlation Analysis of Independent and Dependent variables*

	Recruitment and selection	Training and Development	Pay structure	Organizational culture
Recruitment and selection	1			
Training and development	0.077*	1		
Pay structure	0.223*	0.222*	1	
Organizational culture	0.155*	0.208**	0.122*	1

**correlation is significant at the 0.05 level (2-tailed).*

The outcome from the correlation shows that there are significant correlation between organizational culture, and recruitment and selection, training and development and pay structure, where the best correlation is between training and development and organizational culture with $r = 0.208$. It implies that training and development has a high association with organizational culture than recruitment and selection and pay structure. It reflects the impact of various training and development policies like on-the-job, off-the-job, informal, formal, structured courses, mentoring, coaching, and video training on organizational culture. The alignment of organizational factors and strategic traits with training models results in the

effectiveness and achievement of success. Training and development is designed based on the culture of the organizations. It means the organization having innovative culture have different training programs than the organization having cost leading culture. Organizational culture not only affect to the training and development but it also affect the recruitment and selection process and pay structure too. It means insurance companies having innovative culture used to have high pay structure and process of selection might be head hunting but not by the companies having other culture.

Discussion and Conclusion

The first objective of the study was to look at the impact of culture on human resource practices in the insurance industry of Nepal. And second objective was to seek out organizational factors that mostly influences organizational culture. As mentioned by Evans, (1986) that the company Human resource practices is partially managed through organizational cultural practices. The study has drawn out a positive relationship between organizational culture (independent variable) and HR practices (dependent variable). It will be inferred from the study that organizational cultural practices include a significant impact on the human resource practices. It can be said that in the Nepalese insurance industry, the factors like the nature of the business, company policies and ambiance, external clients and parties have a significant effect on shaping human resource activities. The way how grievances, request for flexible hours, requests for leave and requests for improvement in working conditions is treated and handled that also shape the culture of the industry. Moreover, the inclusion of employees in discussion and idea generation programs spreads a positive attitude among employees. And also the positive vibe among employees help to root a culture of morale, confidence, and trust within the organization. There has been a positive association between recruitment and selection and organizational culture within the finding of the study. It can be said that the culture of organization decides the recruitment mode of the organization and selection technique of the organization. Hiring a new employee means adding a new member with varying values, beliefs, and norms. So, managers should select a candidate with similar values and norms so, the worker won't face much difficulty adjusting in organizational norms and expectations. And ultimately the match in culture is one among the sources of satisfaction to the worker and to some extent it helps to scale back employee's turnover too. This finding is consistent with the findings of Adewale & Anthonia (2013). As they found that use of behavioural questions while selecting employees and best fit with the organizational culture.

Likewise, findings of the study have drawn out a positive association of organizational culture with training and development. Training and development delivered to employees lead to improvement and alter in skill, experience, knowledge, and way of interaction, team dynamics, and contribution to the group. Organizations should design training and development programs as per the culture of the organizations. Japanese and Nepalese culture is different so the training package and mode of training remains different. So, it can be said that organizational culture will be a useful source for transforming Nepalese insurance organization's existing HR practices into a more adaptive and supportive. This study finding is also in the line of the finding made by Tushman & O'Reilly (2002), Siegal & Sussman (2003) and Draft (2010). As

they found that organizational culture lies at the heart of the organizational norms that reflect the influence of organizational culture on creativity and innovation. To respond these environment organization has to manage training and development programs.

Pay structure also significantly and positively affect HR practices. Organizational culture shapes out the pay structure and that changes the practices, trust and commitment of the employees. This finding is consistent with the findings of Madhani, (2014) He remarked that an organization's culture will shape the compensation system used and also the varieties of behaviors and outcomes the organization chooses to reward and punish. Also, he found that looking at the overall culture of the organization, it can positively influence an organization's HR practices. The finding of the study is also supported by Adenji and Osibanjo (2012). As they stated that compensation administration always seeks to achieve internal equity and consistency with organizational culture and structure. All these findings are supported by the study because the different country follow the universalistic approach of HR nowadays. This study also confirmed the significance of universalistic approach of HR in current situation as well.

Future implications

Managerial implications

The results of this study suggest that there's close relationship between recruitment process and organizational culture (belief, value, and practice). The implication of this for managers or recruiting agency is that recruitment process being the primary point of interaction between the organizations and also the prospective employees, could function the correct avenue to disseminate vital information about the organization to the duty seekers. Further, this may enhance the alignment of intending employees with organizational beliefs, values, and practices, which try to ensure a correct match. Thereby accelerating human capital development within the organization, which tends to cut down labor turnover. Within the same vein, the association that exists between training programs and organizational value, belief, and practice implies that management or decision-makers in institutions should endeavor to include their belief, value, and practices within the training and development program designed for the staff. This may further sustain organizational culture, and help employees (new or old) adapt to the organization's culture. Thus, being conversant in the organizational culture (values, beliefs, and practices) will help employees understand organizational events, thereby helping them to induce together with the task at hand instead of dawdling trying to work out what's expected of them. Similarly, this study helps the managers to develop the pay structure. Pay structure also bases on the culture of the organization. Innovative culture and imitate culture don't reward the staff within the same manner. Thus, while developing pay structure managers should have considered the culture of the organization otherwise they will not retain talented employees.

Future research implication

This study has considered only three practices of human resource management but further researchers can use more human resource practices, so on undertake research. This study has mostly considered as sample to the assistant level employees but further researchers can take higher level employees to undertake research. This study has taken only small number of samples but future researchers can take more sample and have robust study on the organizational culture and human resource practices. Same model and methodology can also be replicated by the future researchers after a pace of time so as to confirm the results of the current study.

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