

# HRD IN INSURANCE INDUSTRY : A REVIEW

ARMAN J. OZA

## 1. BACKGROUND

An enterprise utilises various means of production like materials, machines, labour and capital to carry on its business and achieve its corporate objectives. It is now well established that the human factor which is omnipresent in an enterprise and on whom lies the responsibility of effective utilisation of all other means of production, is the most vital element of the organisation. It thus follows that if the human factor is managed properly, it will be easier to obtain desired results from all other means of production.

With the increasing size and complexity of modern organisation the management of human resources has gained importance. Corporate managements worldwide have recognized the significance of human resources as a crucial means of production, which has given rise to Human Resources Management as a specialised branch of management theory and practice. This attitude has further culminated into the treatment of human factor in line with other physical assets. In fact efforts are also being made to ascertain the value of human assets and find a place for them in the financial settlements of the enterprise.

More recently, the changed economic logic in terms of globalisation and deregulation, particularly in the Indian context, has provided a major thrust to the management of human resources. With the liberalisation of policies and procedures in the areas like capital issues, technology acquisition and import of capital goods and materials, a highly competitive industrial sector has emerged where almost all players have equal access to all means of production. Therefore in a competitive environment, where other things remain more or less constant for all players, the quality of human assets in the possession of an organisation, has become the deciding factor.

All these developments have resulted into the opening of a yet another specialised area, dealing with the improvement of the quality of human resources, known as Human Resource Development.

## 2. THE CONCEPT

In a general sense, the term Human Resource Development (HRD) is treated synonymously with

terms like personnel management, human resource management, manpower management and so on.

However in the technical sense HRD has to be considered as a specific function of personnel management. While personnel management covers wide ranging managerial and operative functions pertaining to manpower like human resource planning, organisation structure, recruitment, promotion, transfer, training, job analysis, performance appraisal, wage and salary administration absenteeism and turnover, trade unionism and as on, HRD deals exclusively with questions relating to quality of human resources. It may be clarified that despite its specific nature, HRD is not an isolated function and is distinctly related with all the personnel management functions.

An enterprise is what its people make it. Attainment of corporate goals is largely dependant on the efforts of human resources. Management can hardly achieve anything on its own in absence of such efforts. Personnel management developed as a result of the need to ensure that the employees apply their efforts in the right direction by understanding what to do and how to do. This apart, the development of the conception that industry is a joint venture of labour and capital, led to the emergence of personnel management. Thus personnel management as a science lays down the principles governing the various aspects of managing men while as an art it prescribes various operations and methods in this context.

Going further on the same path, the managements are confronted with the question as to how can the employees be motivated to perform to their full potential, as well as how this potential can be developed. For this sample opportunities for self-development of employees particularly at the union and middle levels coupled with intensive training are required. What are the opportunities to be provided, in what form are they to be provided, how to raise the motivation and morale of employees - these and other related questions are answered by a separate constituent of personnel management, which is HRD.

As the name speaks for itself, HRD is concerned with the development of the human resources of

the organisation. Human resources at the macro level are the traits and talents present in the entire population and at the micro level they represent the sum total of knowledge; skills and abilities present in the masses concerned. In the context of an enterprise it also includes the inherent potential of the employees.

Development suggests an expansion of the existing capabilities of the human resources of the organisation and acquiring new capabilities required for achievements of corporate as well as individual goals.

Thus the ultimate aim of HRD is to develop the inherent potential present in the employees so as to improve the quality of the entire workforce, which in turn, would improve the quality of the products and services of the organisation.

Developing the capabilities and potential of employees calls for a deeper understanding of human behaviour on the part of the management. The employees do not work for the sheer joy of working. They work to earn a better living for themselves and their families and hence improvement in their capabilities cannot be expected for nothing. As Napoleon Bonaparte said, there are only two forces which unite men - fear and interest. Fear being a negative technique, HRD only on interest, which can be generated by providing incentives for self-advancement of the employees. HRD believes that adequate opportunities and the right type of climate can help individuals to grow to their fullest potential, thus contributing to the achievement of corporate goals.

The HRD concept seeks to adopt the path of growth of the enterprise through growth of individuals. Such a twirl growth can be achieved by an integration of corporate and individual goals. Once an employee is convinced that his personal development is linked with the development of his organisation, he will strive to work at his fullest potential and co-operate in developing his capabilities. For this, creativity present in every individual has to be tapped, stimulated and rewarded. Such a creativity is not the pure creativity of a poet or a musician but a creativity applied to problem-identification and problem-solving. A dynamic and growth-oriented organisation should therefore focus on the creative potential of its human resources and its optimum utilisation of individuals as well as organisational gains.

Translation of HRD concept into practice calls for investment of time on the part of management. A well designed HRD plan has to be formulated with its subsystems clearly defined.

Before the plan is implemented, a comprehensive revamp of personnel policies and also the organisational structure may become essential. All policies and procedure should reflect a concern for growth - personal as well as organisational. The employees should be convinced that they are being treated as an integral part of an organisation which really cares for them. It is only then that a sense of belonging will develop among them.

Job-satisfaction is a vital factor affecting employee's attitude. A dissatisfied workforce can never prove to be a satisfactory workforce. Incentives for better performance at all levels provide motivation to the employees and create interest, which in turn yields job-satisfaction to them. It may not be possible to meet the aspirations of every employee. In such cases it is essential to explain the employee the reasons therefore by management and it can go a long way in mitigating a sense of deprivation amongst the employees. Rigid formality which destroys creativity may be eliminated to a certain extent by developing informal organisation. In order to facilitate the above process, various HRD subsystems like performance and potential appraisal, organisation development, career planning, role analysis, training, etc., have to be developed.

More, HRD philosophy believes that human resources can be developed to an unlimited extent. This makes it an ongoing process and not merely a set of subsystems and techniques. Hence a periodic review of all the sub-systems is extremely essential to evaluate their effectiveness and take suitable corrective action.

### 3. RELEVANCE TO INSURANCE INDUSTRY

As indicated earlier, an enterprise utilises various means of production to bring out a product of the best possible quality and sell it in the market at the most competitive prices, to maximise profits. Thus for a manufacturing concern apart from human resources, it is also the quality of other means of production like materials, and machines which contribute to the quality of the final product.

However in the case of service industries like insurance, the only means of production is the manpower and hence quality of services rendered is solely dependant upon the quality of manpower involved. Thus HRD is all the more essential for service industries. Moreover two unique features of insurance industry - customer service and costs - having a direct influence on volume of business and profit, also make HRD a vital function.

The level of customer service offered depends upon promptness and quality of service.

Promptness refers to the speed with which service is rendered, for example issuance of policy after the payment of premium or settlement of claim after submission of documents. The time taken in rendering the service, once the cause of action has taken place, is a matter of prime concern to all the service under takers, since it is a major factor affecting customer satisfaction.

By quality we mean the goodness or the distinctive features present in a product. It is a mistaken belief that for service industries, only promptness yields customer satisfaction. Prompt service does not mean good quality service. For example if the policy is issued immediately but it is badly typed, it does not amount to good quality service. Apart from the enlightening the insured on the scope of cover, exceptions, conditions and warranties, claims procedure, risks improvement, etc, is also required to improve the quality of service.

Obviously, promptness and quality of service are wholly dependant on the human resources. Although computerisation and automation can help in augmenting promptness and quality, it would be impossible to totally eliminate the human factor without whose efforts, no computer is going to work. This makes HRD almost indispensable for insurance industry.

The cost factor is another unique feature of insurance industry. Costs include mangement expenses and technical costs, both of which are of prime concern these days. Pay-bills which constitute a large chunk of management expenses are more or less uncontrollable, but with the computerisation process on, they are likely to come under control. Moreover, if the imbalance in staffing the various offices can be removed by redeploying the surplus staff at the operating units, as recommended by the Malhotra Committee, optimum use of human resources would be possible. This apart, if the workforce is made to exercise economy in items like stationary, postage, electricity, etc, management expense ratio can be reduced substantially in the long run.

More important than the above is the technical cost factor. It is the cost pertaining to the technical operations of the organisation. In the case of insurance, underwriting, claims, reinsurance, risk mangement, etc. Are those departments where errors can inflict heavy costs. Even after complete computerisation, the crucial function of decision-making is always going to remain with the human factor. Hence operational efficiency of the manpower handling these departments has a direct bearing on the technical cost account of a insurance company.

It is evident from the above that in service industries, particularly insurance, very little manoeuvring space is available to the managements to eliminate the subjective human element, as compared to the manufacturing industries.

In view of the emerging change in the insurance sector, which is inevitable, the quality of human resources possessed by an enterprise, will come out as the only deciding factor in the long run. This speaks volumes for the relevance of HRD to the insurance industry, which should figure as a priority item in the corporate agenda of the coming years.

#### 4. THE PROGRESS SO FAR

Although in the global parlance, HRD is no more a new concept. Indian industry, particularly the public sector, has been quite slack in adapting it. It was only after the new Government took over in 1991, that people in public sector started talking of HRD. HRD now figures in the corporate plan of all insurance companies. To begin with, separate HRD departments were created at the top mangement level, followed by appointment of HRD facilitators at the middle-level management. Special HRD training programmes are now being conducted for officers and managers at various levels. It took quite some time for the concept to trickle down to the grass-root level.

Informal communication from Chief Executives to all the employees through the newsletters and house magazines, which were initially occasional, is now a regular feature. This way the employees get to know the management's perceptions about HRD as well its expectations from the employees.

Answering Cells have been set up at various controlling offices to answer queries raised by the employees on technical matters. This was done to remove the grudge that queries raised by employees are not always satisfactorily answered by the immediate superiors. Suggestion schemes have also been introduced where under employees can submit their suggestions on any technical point or procedure, except policy matters which can benefit the organisation. After due evaluation, the best suggestions are incorporated and rewarded. A broad outlook is now adopted by the managements whereby technical matters are thrown open to discussion, out of which something beneficial to the organisation can emerge. It is also an attempt to encourage willing participation of the employees in the process of improving the operational efficiency of the enterprise.

Setting-up of HRD committees has also been initiated by some organisation. These committees, which comprise of employees from all cadres, serve as the local HRD centre and are expected to solve various problems as and when they arise, through discussion. Effectiveness of such committees depends upon the motivation provided to the employees. Quality circles are also being setup to identify, select and solve various work-related problems at the unit levels itself.

Another major development has been the introduction of KPA Analysis for officers. It involves the identification of Key Performance Areas (KPA) for each class of employees and the subsequent setting-up of targets or performance standards for each of the KPAs, by the employee himself. Such target receives increased moral binding of the employees and thus has a better chance of fulfilment. The KPA Analysis is based on the rationale of self-regulation by exception and has a certain edge over the traditional method of target fixation by superiors, which used to become an imposed unilateral exercise.

Self-appraisals systems for all classes of employees have also been introduced. Here an attempt is made to know as to what the employee feels about his workload, contributions to the organisation, potential, choice of place, departments, etc. Self-appraisal forms become part of the confidential reports of the employees which enables a comparison of the views of the appraisee and the initiating office, at the review stage. It also enables the employee to put forward his case as well as reduces the chances of biased appraisal.

Thus the above developments, which are merely illustrative and by no means exhaustive, show that a beginning has been made towards the introduction of HRD systems in the insurance industry. Since different managements have different perceptions about the concept and its feasibility to the existing organisation, some divergences in the ways and means are bound to occur.

## 5. REVIEW

The introduction of HRD function in the Indian private sector can be traced back to 1975 when Larsen and Toubro introduced an integrated HRD system. Since then HRD has gained popularity as a vital function in many large and medium size concerns. It was the committed concern of the corporate managements for growth through positive efforts of human resources which induced them to adopt a scientific approach for developing their human resources.

Perhaps such a feeling was not ardent enough

in the public sector due to which it took a long time to understand the HRD philosophy.

In the insurance industry also, it was only after the new Government took over in 1991 and made its intentions clear on the economic and industrial policy which reflected the shape of things to come, that the virtue of HRD was realised. The changed economic logic sent clear signals of opening-up of insurance industry, which meant stiff competition from corporate giants Indian as well as foreign. Competition with these highly professional entities was impossible in absence of a highly motivated workforce. Thus HRD philosophy was adopted as a direct consequence of the potential threats posed by the changed economic environment and for its own sake. The repeated reiteration, of these potential threats in the HRD literature published so far also corroborate this notion.

Thus it can well be derived that something which has been adopted out of an imminent danger, will be abandoned as and when the danger recedes. If the very base on which a positive technique like HRD rests, is predominantly a negative phenomenon like fear, it becomes hard to expect a positive result out of the entire exercise. In the retrospect, one would have expected the public sector on which rested the responsibility of governing the commanding heights of our economy, to initiate HRD philosophy in India.

HRD philosophy has to move from top to bottom, which suggests a comprehensive revamp of personnel policies and procedures at the very outset, as indicated earlier. A well designed HRD system supported by integrated subsystem is an absolute prerequisite. In absence of proper integration the synergistic benefits of subsystem cannot be derived. Thus for example, the outcome of self-appraisal system and KPA analysis should serve as input for promotion, transfer, role analysis etc.

But despite the introduction of various HRD subsystem in the insurance industry, hardly any material change has been witnessed in the broad premise governing the policy framework. This only reveals the procedure-oriented approach with which the industry has been functioning since nationalisation. A procedure is merely a means to an end and not the end itself. Here by merely trumpeting the hackneyed slogans of team work and palpable attitudes of work culture through house magazines or HRD newsletters, the conditioning built-up by the years of monotony cannot be broken. Similarly, the very setting-up of HRD committees and quality circles cannot improve the work environment or quality of service

remarkably unless supported by concrete motivating factors.

Thus apart from the base, it is also the approach of the industry towards HRD which needs to be reviewed. It has been observed that in public sector all the HRD systems emphasise more on quantity rather than quality. The HRD philosophy of insurance industry also advocates more work, more output, more devolution and at times even more "sacrifice", without any specific reference to quality of work. No doubt, quantity is one of the vital factors at certain levels, however, as outlined earlier the two crucial areas to be attended viz. customer service and costs, can only be addressed properly if quality of work is given the importance it deserves.

Asking for more and more commitments from the employees without any return commitments is yet another striking feature of the HRD exercise in the insurance industry. Asking for work or more output is not unwarranted, especially in the light of ensuing competition in the industry. But it is the absence of return commitments which violates the very spirit of HRD concept. A growth oriented enterprise should realise that unless the employee is provided with ample opportunities of achieving his personal aspirations, he is never going to strive for the development of his enterprise. This calls for concrete return commitment from the enterprise that can motivate the employees to perform at their full potential. A healthy work environment presupposes incentives for better performance and even disincentive for poor performance. This might prove to be a formidable task keeping in view the ticklish nature of industrial relations in the public sector.

However some concrete beginning has to be made, at least by identifying the demotivating factors which, as observed by Malhotra Committee, constrain economical functioning of the organisation at various levels and attempting to eliminate the same as soon as possible with a view to improving productivity and work culture.

## 6. CONCLUSION

India after so many years of nationalisation, a large section of the market still remains untapped. Increasing industrialisation and consumerism in the

country under the liberalized economic scenario has augmented this potential. Concerted efforts in the areas like marketing, customer service, total quality management and product development are essential to maximise growth. Using HRD techniques in the right earnest and thereby giving an impetus to the human effort in these directions can provide the much needed basis for sustained growth.

Although a beginning has been made on the HRD front, a large landscape still remains to be explored. The inherent weaknesses of the existing systems will have to be addressed first and rhapsody, far from being helpful, are likely to have a negative effect. This calls for a complete review of the progress made so far, in terms of concrete achievement. Here a tendency of the managements to buy time is worth mentioning. While it is obvious that such radical changes cannot be introduced overnight, the fact that much time has already been lost should also be kept in view.

Since time immemorial, the entire universe has been in a state of flux. Change is inevitable in all walks of life. The concepts of power, knowledge and growth have undergone a sea-change. Change is always accompanied by resistance to change especially from those who fear to lose. Management of change thus involves the arduous efforts in developing a strategic leadership, innovative skills and implementation capabilities.

Viewing the above in the national perspective, Indians have in the past, exhibited great capabilities to usher as well as to absorb a change, to make as well as mend, through evolution as well as revolution. Even today India possesses a mammoth pool of highly diversified manpower. But despite this Indian economy has not been able to move much further from the takeoff point. Hence there is an urgent need to faster these resources by providing the right direction to the creative human potential in order to counter the rising challenges and achieve the twin objectives of survival for growth and survival. The fate of these as well as our overall national objectives will be decided by the effectiveness of our national HRD plans in the years to come.

### GIC shuns BCC

THE TOP brass of General Insurance Corporation is not impressed with the insurance sub-committee of the Bombay chamber of Commerce. So much so that it has turned down a request by the said committee for a "sitting to discuss the problems of the insurance industry". The reason, say insiders, is the composition of the sub-committee. It is full of reinsurance brokers and consultants rather than the insured corporate clients. These brokers are always busy trying to grab a slice of the reinsurance business from GIC and its four subsidiaries and have in the past even tried to submit a memo to the finance ministry insisting that insurance reforms should not allow the entry of foreign brokes, but only foreign companies (that could add to their business and not spur competition).