A STUDY OF HRM PRACTICES AND COMPETITIVE DIFFERENTIATION STRATEGIES IN LIC SECTOR

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ABSTRACT

At the close of the previous decade, the government undertook a paradigm change in economic policy by embracing the process of liberalisation, privatisation, and globalisation. To regulate the general and life insurance markets, the Insurance Regulatory and Development Authority (IRDA) was established. Because of this, the private sector came up with fresh and creative marketing methods. The LIC's monopoly in the market was shattered by the efforts of the private sector, and it was forced to confront fierce competition to keep its market share. LIC had to abandon its typical course and implement a number of changes to its operations in order to remain competitive. Organizations have long held a belief that their people resources are the driving force behind their efforts to achieve their goals. The influence of private insurance companies on LIC's HRM policies is examined in the current study to provide light on such changes. In this study, we've addressed the LIC's impact on agent recruiting, training, performance management, and learning and development.

Keywords: HR practices, Performance appraisal, Staffing, Training & development

INTRODUCTION

Midway through the twentieth century, life insurance firms began functioning in the United States and were subject to the usual bad play that comes with doing business. In addition to the fierce rivalry, there was also a lot of greed and profiteering. As a consequence, on September 1, 1956, the 245 life insurance firms in India were nationalised, creating the Life Insurance Corporation of India (LIC). However, near the close of the previous decade, the government adopted the path of liberalisation, privatisation, and globalisation. Because of this, the country's insurance industry is now regulated. Thus, the private sector was granted access to both the general and life insurance markets in India. When it comes to the number of offices, agents, new business units, premiums earned, and so on, the life insurance market has grown substantially since 2000. Many innovative products (such as ULIPs, pension plans, etc.) and riders were developed by life insurers to meet the needs of their customers.

Human resources (HR) may contribute to a firm's competitive advantage, and HRM practises have an impact on how well a company performs. The effectiveness of human resources management (HRM) in the service industry cannot be overstated. The product is a collaborative effort between the company and its customers. The direct contact component underlines the significance of human resources management in the services. ' An organization's competitive edge comes from its personnel, according to research (Barney, 2017). As a result, HRM procedures are implemented in every company in order to get the most out of its workers. It has been shown in previous studies that effective human resources management correlates positively with an organization's performance. Human resources are increasingly important to service firms because of the globalisation and liberalisation of markets. As contrast to pre-liberalization, the Life Insurance Corporation of today is a very different entity. The new satellite sampark offices, which are tiny, lean, and near to clients, provide for simple access to most of the company's core activities. In order to become the biggest player in this market, the company implemented new policies for its employees. Customers continue to have a great deal of trust in the company, and it has expanded its reach throughout the nation. Following the industry's deregulation, the company has made several adjustments to its business practises. The organization's labour unions have offered their full support to the move toward professionalism. It has partnered with top management colleges to provide substantial training facilities for all levels of employees. Human resources plays an active part in improving the performance of employees and maintaining an advantage over the competition. Employees are profoundly affected by the external environment. At every level of the organisation, a huge number of workers were laid off in the early years of private life insurance firms. Employee turnover was kept to a minimum as the firm matured and became stronger against the competitive pressures.

REVIEW OF LITERATURE

Competitive advantage of a company can be generated from human resources (HR) and company performance is influenced by a set of effective HRM practises, according to Kundu, Subhash C., and Malhan D. (2009) in their article on " HRM practises in insurance companies: A study of Indian and multinational companies." According to the findings of this research, both global firms and Indian enterprises need to considerably enhance their procedures related to performance evaluation, training and financial incentives, as well as HR planning and recruiting. The service industry requires a lot of human capital. Human resource management methods should be prioritised by service firms in order to obtain a competitive edge, according to the findings. Both the employer and the employee benefit from a well-defined HR strategy framework. A company's human resources policies help its employees via improved salary, benefits, training and development opportunities, as well as career management, which in turn leads to greater work satisfaction and self-fulfillment.

Subramanian, V. (2005) remarked that any company that devotes a reasonable amount of time and resources to the recruitment and selection of its personnel would reap the benefits. An organization's long-term future should be taken into account while recruiting and selecting new employees. So, what talents will the company need in the future in order to achieve its strategic goals? These are the kinds of questions that a company should ask itself on a regular basis. As a result, it's critical to think about how recruiting and selection activities might support long-term company objectives. When it comes to hiring and keeping employees, staffing is a big part of it. Recruitment, selection, and employment are all part of the staffing process (Harel and Tzafrir, 1999). Human resource planning relies heavily on the hiring process.

Organizational success is favourably related with an effective staffing procedure, according to Huselid (1995). Performance in a company is directly related to staff quality, competence, and motivation to carry out desired actions. When it comes to finding the appropriate people to fill the right positions, the correct selection procedures are critical.

The successful staffing process, according to Levesque (2005), comprises a match between an individual's personality, objectives, values, abilities and conduct with those of the organisation. To ensure that employees have the knowledge, skills, and drive necessary to carry out their jobs effectively, organisations invest heavily on training and development. Employees who want to stand out from the crowd need to have specialised knowledge, skills, and talents. Employees' skills and productivity are enhanced as a consequence of training and development. Training and development have been linked to a variety of performance indicators in different studies. The practise of performance evaluation improves communication between managers and subordinates. Employee expectations, job responsibilities and communications are evaluated here. Teamwork improves as a consequence of the positive impacts of feedback. Organizational productivity and quality were shown to rise as a result of a favourable association between performance appraisals and quality. HR methods are heavily influenced by compensation and benefits, which are the financial and non-financial perks that an employee receives. Employee performance, company demands, and expanding prospects all need a reevaluation of the organization's compensation policies. Contingent remuneration is an effective motivator because it makes workers aware of how their actions have an impact on the final outcome. Employee remuneration and perks have been shown to boost productivity and organisational success. Employee retention is improved by providing the correct remuneration and perks.

DEFINITION OF HUMAN RESOURCE MANAGEMENT

Systematic approaches to the administration of an organization's human capital are referred to as HRM." Staffing, salary and benefits, and work design are the three main tasks of a human resource manager. Understanding and applying the rules and procedures that directly influence the employees working on the project and the entire workforce. If you don't effectively manage your workforce, you won't have enough people with the correct talents who are adequately compensated and motivated."

Operational definitions:

1. In order to meet an organization's human resource needs, it is necessary to recruit and choose the correct quantity and quality of employees.
2. It is the process of determining and managing the movement of potential workers into, within, and out of a company. This is called "staffing." Personnel movement is controlled by an intricate web of processes, including recruiting, selection and decision-making; job offers; and employee retention.
3. Employees are trained to do a certain work by acquiring the relevant information, abilities, and attitudes through time.
4. There are a variety of ways to motivate employees to perform at their highest level for their employer.
5. Employees and supervisors meet regularly for performance evaluations, in which the employee's performance is evaluated and discussed, with the goal of discovering areas where the individual may improve by learning from his or her mistakes.
6. It refers to the examination of how a business shares financial profits resulting from employee contributions generously and equitably with them.
7. Designing a job's tasks and obligations, as well as how the jobholder interacts with his or her coworkers, is what is meant by the term "work design."

COMPETITIVE STRATEGY

Strategy

Strategies are becoming more prominent in the literature on and for capitalist management. However, the Greeks could not offer a precise definition of strategy, which is derived from the term 'Strategos', which means a general. The traditional understanding of strategy is that it entails laying out a course for the company to follow in order to achieve certain objectives. All businesses have some market-related difficulties and certain market-related choices that must be made strategically. All of these strategic choices are interconnected. We need a theory of strategy that takes both into consideration and does not minimise either. In Schermerhorn's (1993) definition, strategy is a complete plan of action that determines crucial direction for an organisation and governs the allocation of resources. Child, 1972 describes a company's strategy as a series of basic or key decisions regarding the goals and methods the company will use to achieve those goals.

Competitive Advantage

It is argued that a company has a competitive edge when it is using a strategy that its present or future rivals aren't doing at the same time. Firms that deploy value-creating strategies and prevent their rivals from duplicating the advantages of those strategies have what is known as a sustained competitive advantage (SCE).

Competitive strategy

According to Porter (1985), a company's competitive strategy is defined as its place in its market. Without a durable competitive edge, Porter says, a firm can only "harvest" the windfall, that is, take as much money as it can get its hands on, for as long as it is still in the position to do so. Competitive advantage may be divided into two main categories, according to Porter: Cost Leadership Strategy and Differentiation Strategy

Cost Leadership Strategy

In order to obtain low costs in comparison to rivals, a cost leadership strategy is the major objective. If the product or service cannot be produced at a lower cost, it affects profit margins, which may lead to a decrease in demand for the product or service. Reduced expenses are often met by increased investment in automated facilities, equipment, and the knowledge and abilities of staff.

Differentiation Strategy

Distinguishing an organization's products and services from those of its rivals is a main goal of a differentiation strategy. Aiming for a competitive edge necessitates a focus on creativity and invention, which have long been regarded as essential (Dean 2018). From Porter's definition of competitive advantage, Schuler and Jackson (1987) provided three techniques for firms to obtain competitive advantage: Quality improvement, cost savings, and new ideas:

Innovation strategy

Developing goods or services that are distinct from those offered by rivals is the major goal here. Employee training is an essential part of any innovation strategy.

Quality enhancement strategy

In this case, it's all about improving the product or service. Increasing quality often necessitates including and adapting the workforce in the manufacturing process.

Cost reduction strategy

The lowest cost producer is a common strategy used by businesses to obtain an edge over the competition. As recommended by Porter and Schuler and Jackson, this research investigates LIC's counter-intuitive HR practises, which may not be original but are distinct from the private sector's practises, and seeks to relate it with the differentiation strategy and innovative strategy.

Link between HR Strategies in LIC and Porter's Differentiation Strategy

Distinguishing an organization's products and services from those of its rivals is a main goal of a differentiation strategy. LIC's HR methods are distinct from those used by its rivals. LIC distinguishes itself in the following ways: l

Structural Characteristics at LIC

It is widely accepted that specialisation and division of labour are the most effective ways to achieve economies of scale. This approach of specialisation has been a dominating one since the beginning of the industrial revolution and is still in use today. LIC, on the other hand, has done the exact opposite: the company's massive success is built not by experts but by generalists, who are the result of an HR system that manages massive risk by generalising. Approximately 10% of the company's employees is transferred or promoted every year, and the majority of this mobility occurs in April and May. If LIC is able to keep its employees for long periods of time, this plan will be a great success. The performance of a human resources department is measured by its ability to keep employees on board. Generalization has several benefits. Overemphasis on specialisation may lead to suboptimal performance in a particular subject or area, which may not contribute to an organization's overall goals. It may also be vital for staff motivation to have a wide range of duties rather than specialisation. Attrition, both in terms of workers and agents, has been a major problem for private companies in the last several years, with a rate of 35-40 percent.

CONCLUSION

When it comes to a company's success, human resources play a critical role. People are an organization's most important resource. Employee remuneration, recruiting, performance management, and training all fall under the purview of human resource management (HRM). Thus, human resource management is critical to the success of the company. ' Human resources are critical to a company's ability to effectively manage its finances and markets. As a result, no matter the size or structure of the business, effective HRM procedures are required. The purpose of human resources management (hrm) is to ensure that the organization's objectives are met and that their services are used effectively. Human resource management is critical to the success of any business because the quality of its human resources and the amount to which they are motivated have a major role in its performance.

A clear correlation between LIC's competitive strategy and its HR and management practises has been established, since most of the practises are aligned with the two strategies reviewed in the article Even though this research relied on secondary data, the results would have been strengthened had it included information from a primary source. LIC, a government agency with a history of formalisation, has chosen an unconventional course of action while still adhering to the established set of rules and regulations. Since 2001, private insurance companies have been able to compete in the market. Even after over a decade in the industry, LIC remains a frontrunner among the 23 other private competitors. By adopting a variety of unorthodox methods, as well as cultivating a workplace that fosters trust, the company has been able to preserve its position as one of the few that has done so for decades. There are more factors at play than only the organization's rules and procedures that may create or ruin a company.

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