THE RELATIONSHIP BETWEEN HUMAN CAPITAL AND QUALITY OF DECISIONS MADE BY COMMERCIAL BANKS AND INSURANCE FIRMS IN KENYA

Dr. Mercy Gacheri Munjuri

Department of Business Administration, School of Business, University of Nairobi
P.O Box 30197-00100, Nairobi, Kenya
Email: mercy.gacheri@uonbi.ac.ke

Published: 27 October 2019

ABSTRACT

An organization's human capital influences the quality of decisions made. In order to develop an assessment of the decision situation, central decision makers gather most of their information through their direct environment. Strategic decisions have important consequences for organizational performance and are often the result of the involvement of actors both from inside as well as outside the organization (McKenzie *et al.*, 2009). Helping individuals to develop knowledge, skills and competence increases the human capital of the organization. People are better equipped to do their jobs and this is generally of value to the organization (Cunningham, 2002).The purpose of the study was to establish the relationship between human capital and quality of decisions. A census survey was carried out on all the 43 licensed commercial banks and 45 insurance firms in Kenya. Out of the 88 firms that were targeted, 54 responded, constituting a response rate of 61%. The hypothesis was tested using Pearson's Product Moment Correlation Analysis. Descriptive statistics were computed for organizational data and the main characteristics of the study variables. Data was presented in form of

Cite this article: Munjuri, M.G. (2019). The Relationship Between Human Capital and Quality of Decisions Made by Commercial Banks and Insurance Firms in Kenya. *International Journal of Arts and Commerce*, 8(9), 74-86.

tables. The findings revealed that there was a positive and moderate relationship between human capital and quality of decisions. These findings are consistent with the works of Ripley and Riple (1993) who contend that skills and talents inherent in the employees can be realized and put to work for the benefit of the organization, producing more satisfied customers (Hubrecht and Teare, 1993) and greater profits (Cotton, 1993). This study contributes to understanding the link between human capital and quality of decisions. Organizations can enhance their performance by building their human capital base through rigorous selection procedures and matching the right people with the right jobs. Work experience should be considered alongside academic qualifications during selection. This is because employees with the relevant knowledge, skills and competencies would contribute to high quality decisions and consequently increase an organization's competitiveness.

Key words: Human Capital, Quality of Decisions, Commercial Banks, Insurance Firms, Kenya

1. INTRODUCTION

A firm's human capital is an important source of sustained competitive advantage (Hitt *et al.*, 2001) and therefore investments in the human capital of the workforce may increase employee productivity and financial results (Pfeffer, 1998). Helping individuals to develop knowledge, skills and competence increases the human capital of the organization. People are better equipped to do their jobs and this is generally of value to the organization (Cunningham, 2002). Having a highly skilled workforce may help in contributing to high quality decisions. An organization's human capital influences the quality of decisions made. In order to develop an assessment of the decision situation, central decision makers gather most of their information through social ties in their direct environment. Strategic decisions have important consequences for organizational performance and are often the result of the involvement of actors both from inside as well as outside the organization (McKenzie *et al.*, 2009). The resource-based theory argues that firm performance is a function of how well managers build their organizations around resources that are valuable, rare, inimitable, and lack substitutes (Barney, 1991). Human capital as resources meet these criteria, hence the firm should care for and protect resources that possess these characteristics, because doing so can improve organizational performance (Crook, Ketchen, Combs, and Todd, 2008).

Kenya's development strategy is built on four pillars, where one of them is to invest in human capital (Kenya Country Strategy Paper and National Indicative Programme, 2008-2013). While Kenya is blessed with relatively a high quality and deep base of human capital, it has yet to find ways to deploy it more efficiently. The availability of a well developed human resource base is critical to the realization of Kenya's Vision 2030. The much needed higher productivity in the process of realization of Vision 2030 depends on the quality of human capital and how they are utilized (Kimutai and Patrick, 2011). One of the problems that insurance firms and commercial banks in Kenya face is low human capital. A study done by PriceWaterHouseCoopers (2010) on Kenyan insurance firms found that there is a human capital challenge facing insurance firms, where many insurers are facing mounting skills shortages. Yet, investment in recruitment, training and career development often trails behind other financial sectors.

There is a human capital challenge facing insurance firms where many insurers are facing mounting skills shortages (www.pwc.com). High labour turnover has also been cited as one of the predictions of failure of insurance firms in Kenya (Kibandi, 2006). This could be due to the low human capital in the insurance industry as well as how human resources are managed. While banks have traditionally emphasized shrewd use of financial assets, the increasingly competitive global marketplace is causing financial institutions to take a fresh look at the way they manage human capital. The banking industry is being buffeted by a storm of trends and challenges. Employee turnover is a persistent problem and skilled talent is in short supply.

A study by Bruns, Holland, Shepherd and Wiklund (2008) sought to examine the role of general and specific human capital in the decision policies of 114 Swedish loan officers in their assessments of small-business loan requests. They found that human capital characteristics had marginal impact on decision policy contingencies and that specific human capital had no significant influence on the probability of loan approval. However, they found that the similarity between the loan officers' human capital and the applicants' human capital was a significant indicator of loan approval. The study focused on decision making at an individual level while the focus of this study was firm-level decisions. Currie and MacLeod (2017) conducted a study in the United States of America, where the purpose was to determine the relationship between human capital, decision making and performance of physicians. They considered two dimensions of physician performance, that is, decision making and procedural skill. They found that increased human capital enhances decision making and results into better performance of the physicians.

Bayon, Lafuente and Vaillant (2016) conducted a longitudinal study on human capital and the decision to exploit innovative opportunity in Spain. The purpose of the study was to examine the direct and interaction effect of individuals’ human capital input and human capital output in the form of entrepreneurial self-confidence on the decision to exploit innovative opportunities. They found that although human capital inputs and human capital output in the form of entrepreneurial self-confidence are significant factors in influencing the decision to exploit innovative opportunities, human capital inputs interact in different ways with human capital output in influencing this decision. The above mentioned studies were done in developed economies and the contextual differences may yield different results, therefore findings and conclusions of these studies may not apply to firms operating in the Kenyan context. Some of the studies utilized small samples, while the current study used a large sample which comprised all the firms in the insurance and banking industries in Kenya. Some of the studies also employed a longitudinal approach while the current study was cross sectional in nature. This study therefore was aimed at filling up the identified gaps in previous studies and attempted to answer the research question, is there a relationship between human capital and quality of decisions made by insurance firms and commercial banks in Kenya?

2. LITERATURE REVIEW

Theoretical Foundation

This study is grounded on the human capital theory. Human Capital theory was proposed by Schultz (1961) and developed extensively by Becker (1964). Human capital theory suggests that education or training raises the productivity of workers by imparting useful knowledge and skills, hence raising workers’ future income by increasing their lifetime earnings (Becker, 1994). It postulates that expenditure on training and education is costly, and should be considered an investment since it is undertaken with a view to increasing personal incomes. Human capital theorists argue that firms will invest significantly to develop unique and non-transferable (i.e. firm-specific) skills through extensive training initiatives (Hatch and Dyer, 2004; Lepak and Snell, 1999). The human capital approach is often used to explain occupational wage differentials. In his view, human capital is similar to "physical means of production", e.g., factories and machines: one can invest in human capital (via education, training, medical treatment) and one’s outputs depend partly on the rate of return on the human capital one owns. Thus, human capital is a means of production, into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labor, or fixed capital.

Human Capital

There have been a number of efforts to define and investigate human capital. One stream of research defines human capital as the abilities individuals possess (Burt, 2000). Another stream of research incorporates education and experience into human capital. Human capital is formed by aptitudes, competences, experiences and skills of internal members of the organizations (Bontis *et al*., 2002). Pil and Leana (2009) define Human capital as an individual’s cumulative abilities, knowledge and skills developed through formal and informal education and experience. Human capital can provide direct benefits in the form of superior performance, productivity and career advancement. Human capital refers to the collective knowledge, skills, and abilities of the individuals working in an organization (Snell and Dean, 1992). From an organizational perspective, human capital is the result of a firm's deliberate investment through the selective hiring of employees with high general skills (or formal education) plus a firm investment in training of more specific skills through in-house training activities (Lepak and Snell, 1999, 2002; Skaggs and Youndt, 2004). Firms can thus increase their human capital levels through human resource management practices related to employee selection and training. Organizations can use selection to increase their generic human capital, while focusing on training to develop firm-specific human capital (Groot and Van Den Brink, 2000; Skaggs and Youndt, 2004).

Human capital is formed by aptitudes, competences, experiences and skills of internal members of the organizations (Bontis, 1999; Bontis *et al.*, 2002). Organizations can increase their human capital by attracting individuals with high skills from the external labor market and/or by internally developing the skills of their current members. Human capital generates value through investments in increasing individuals’ knowledge, skills, talents and know-how (Roos *et al*., 1997). One type of investment is education. Higher levels of education reflect greater investments in human capital (Bontis, 1999). An individual who is highly educated is more knowledgeable and performs better than others, and gets more opportunities to move upward (Hitt *et al.*, 2001). Pennings, Lee and Witteloostuijn (1998) indicates that age is another form of human capital, as younger employees would rather invest more time and effort in increasing their competency compared to older employees, and the return on investment is much higher.

Human resources are crucial in creating human capital because organizations do not create knowledge otherwise organizations can increase their human capital by attracting individuals with high skills from the external labor market and/or by internally developing the skills of their current members. In the latter, a big role is played by employee retention. In terms of human capital, senior managers are crucial in attracting, selecting and retaining the right people in the organization as well as in devising and addressing training needs to develop the participation of employees and volunteers (Hudson, 1995).

Quality of Decisions

Mintzberg (1976) defines decision making as an incremental, sequential process which does not necessarily happen at only one point in time. It involves progression from one stage of planning to the next, where plans move along and develop in relation to the decision being considered. Harrison (1996) contends that decision making is the most significant activity engaged in by managers in all types of organizations and at any level. It is the one activity that most nearly epitomizes the behaviour of managers, and the one that clearly distinguishes managers from other occupations in the society. Of all the managerial functions that executives perform, the act of making a decision is without equal in importance. To be sure, managers and executives do many things besides make decisions. Nonetheless, the current and lasting impact of managerial performance is centered in the efficacy of executive choices. Strategic decisions, therefore, set the tone and tempo of managerial decision making for every individual and unit throughout the entire organization. If the decision making at the top of the organization is ineffective, then the choices made at lower levels of management will be the same. Similarly, if top management's strategic choices tend to be successful, it reflects favourably on choices made in other parts of the organization. Strategic decisions are highly complex and involve a host of dynamic variables.

The major elements of these decisions are the objectives of the decision maker, the available information, and the potential alternatives (Delano, Parnell, Smith and Vance, 2000). Decision quality is based on the thoroughness with which all relevant leadership and technical issues are considered. To evaluate the quality of a decision or series of decisions at the time they are being made, standards are needed such as those that are supplied by the following criteria by Rausch (2007): Direction - How to decide on short-term and long-term direction and priorities for the organization, organizational unit, or function, (including development of the vision), how to organize to achieve them, and how to assign accountability; Communications - What should be communicated to stakeholders, individually and in groups, when and how; Participation - How to ensure appropriate participation in decision making and planning with consideration for who should participate, when and how; Competence - How to ensure that there is at least adequate competence of all stakeholders, (through selection and development efforts) and that most effective use is made of competence strengths of individuals and/or teams; Coordination - How to ensure coordination, and stimulate cooperation, while anticipating, preventing, and managing potentially damaging conflict; Satisfaction - How to achieve highest level of satisfaction by all stakeholders.

Harrison (1996) notes that successful strategic choices tend to manifest a common set of characteristics: The managerial objectives are compatible with and reflective of the current strategic gap of the organization; There is an open search for alternative courses of action that encompass the principal stakeholders of the organization and which consider applicable time and cost constraints along with the cognitive limitations of the decision maker; There is an objective comparison and evaluation of a set of alternative courses of action with a principal emphasis on probabilistic consequences attendant on the selection of a given alternative; There is a tendency to select that alternative most likely to result in the attainment of the objectives within the boundaries of rational choice; The implementation of a chosen alternative proceeds within the established way of doing business and is reflective of propitious timing and balanced risk and reward factors in relation to the expected outcome; There is no presumption of success following implementation and continuous measurement and evaluation of emerging results is accompanied by timely corrective action to ensure an outcome that attains the objectives.

Strategic decisions have important consequences for organizational performance and are often the result of the involvement of actors both from inside as well as outside the organization (McKenzie *et al.*, 2009). In order to develop an assessment of the decision situation, central decision makers gather most of their information through social ties in their direct environment, which constitute their social capital. Studies on the social capital of managers show that the relations they maintain affect their behavior in organizations as well as organizational processes (Bratkovic *et al.*, 2009). The implication for central decision makers is that their assessment of the decision situation depends largely on who they are connected to and interact with during the strategic decision-making process (Cross *et al.*, 2009).

Human Capital and Quality of Decisions

Helping individuals to develop knowledge, skills and competences increases the human capital of the organization. People are better equipped to do their jobs (if the process works) and this is generally of value to the organization. However, we know that merely developing the human capital of the organization is not enough to guarantee success. Strategic and operational choices of small organizations are quite often limited by resource constraints, but there are evidences that human capital development facilitated by training can play a pivotal role in innovation and consolidation of small and medium size organizations (Baldwin and Johnson, 1996).

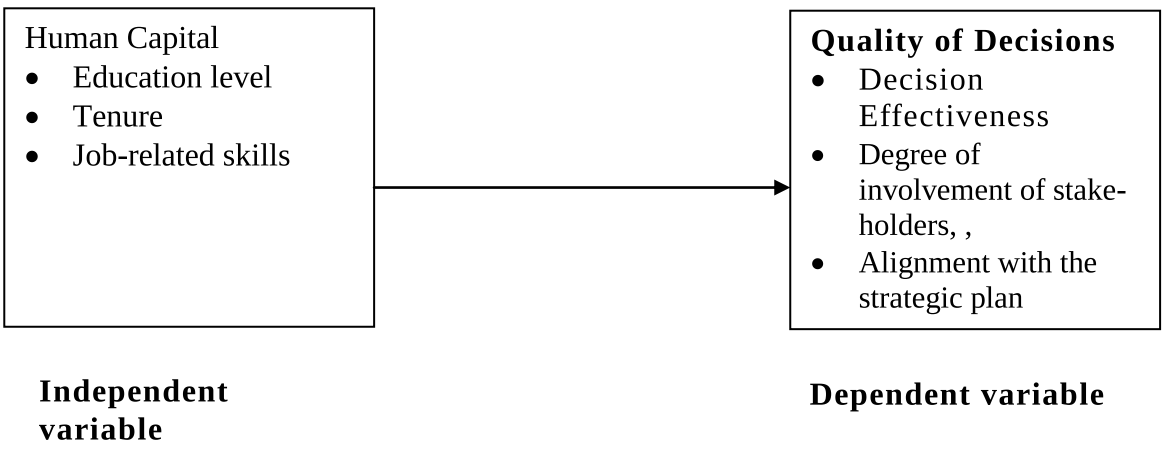
It is assumed that workers have the opportunity to contribute to organizational success and as they are closer to the work situation they may be able to suggest improvements which management would be unable to by virtue of their position in the hierarchy. Rather than trying to control employees, they should be given discretion to provide better service and achieve a higher standard of work (Wilkinson, 1998). In instances where employees do not possess the basic competence to make a decision or perform an activity, empowerment goes out of the window. For empowerment and trust to be extended there has to be a basic competence on behalf of the person who is actually empowering others to make decisions and take actions. In situations where executives and managers lack that competence, specifically in the ability to oversee without micro-managing, empowerment is lacking (Diab, 2011).

Miller and Jangwoo (2001) argue that a well designed decision making process will have its most positive impact on company financial performance when it is carried out by a capable, motivated and dedicated workforce. Prior research has determined that such a workforce can be developed via an organization's commitment to its employees in the form of ample training and compensation, fairness, and meaningful personal consideration. The authors argue that organization's commitment to its employees will enhance financial performance where it is able to improve the quality of a decision making process that emphasizes ample information processing, collaboration, and initiative. Conversely, these three dimensions of decision making are expected to be of little value where organization's commitment to its employees and hence a capable and motivated workforce are lacking. The most frequently discussed process dimensions of decision making, by themselves, are unlikely to contribute to superior performance. Rather, it is only when an organization is able to build a cadre of capable, dedicated decision makers that it will be able to execute process effectively and earn superior financial returns (Barney & Zajac, 1994; Lado & Wilson, 1994).

Analysis or scanning of the competitive environment is apt to be more effective when performed by a corps of able, committed individuals using their imaginations and initiative than when executed in rote fashion. Similarly, consultation among decision makers will be more productive when it is done in a spirit of cooperation and dedication than when it serves as an occasion for politicking or bickering. In addition, proactive decision making is best when employees have the interests of the organization at heart, not when it serves to further empire building or advance individual careers. Unless decision makers at all levels of a company are guided to make decisions in a manner that stresses awareness, reflection, collaboration and initiative, their firm will not be able to recognize and adapt to the most important challenges and opportunities.

In integrative reviews of the literature on decision making process, three dimensions come up again and again as being potentially vital to the quality of decision making (c.f. the syntheses of Fredrickson, 1986, Miller, 1987, Mintzberg, 1973, and Hart, 1992). These dimensions are information processing, collaboration, and initiative. The information processing dimension reflects the effort devoted to scanning and analyzing information to better understand a company's threats, opportunities and options. The collaboration dimension gauges how much people consult and collaborate together in making decisions. And the initiative dimension assesses whether decision makers are biased towards action or proactiveness in competing and getting things done. While each of these dimensions has the potential to contribute to more effective decisions, this potential will not be realized unless decision makers are capable, motivated, and committed to their companies. In other words, even the most promising approaches to making decisions will produce little benefit without the support of a cadre of competent, motivated human resources (Barney & Zajac, 1994; Lado & Wilson, 1994). Previous research has shown that OCE will help to create these resources (Moorman et al., 1998; Organ & Konovsky, 1989; Shore & Wayne, 1993).

Figure 1: Conceptual Model



Firm performance depends on the quality of decisions made. The human capital pool can improve firm performance through its contribution to high quality strategic decisions that determine the course of action needed to achieve the desired organizational outcomes. The quality of strategic decisions made have a bearing on the firm’s performance. Quality strategic decisions depend on the amount of human capital possessed by the decision makers as well as the input obtained from internal and external networks This leads to the hypothesis that:

H1: There is a relationship between human capital and quality of decisions

3. RESEARCH METHODOLOGY

The research design that was used was descriptive cross-sectional design. The target population of this study was all the insurance firms and commercial banks in Kenya, where a census survey was carried out on all the 88 firms which comprised all licensed commercial banks and insurance firms in Kenya. Primary data was collected using a questionnaire, and the organization was the unit of analysis. The target respondents were the human Resource managers and the operations managers of the commercial banks and insurance firms. The human resource manager responded to the sections on the organization data and human capital, while the operations manager responded to the section on the quality of decisions. Pearson's Product Moment Correlation Analysis was used to establish the nature and magnitude of the relationship between human capital and quality of decisions. Descriptive statistics such as frequencies and percentages were computed for organizational data and multiple choice questions in order to describe the main characteristics of the variables of interest in the study. Mean scores were computed for likert type of questions. Data was presented in form of tables.

4. DATA ANALYSIS AND RESULTS

This study sought to establish the relationship between human capital and quality of decisions. To test the hypotheses, it was necessary to compute composite scores for variables that had several measures. Composite scores were calculated to represent the responses to the various attributes that defined human capital and quality of decisions, which were used as input to the evaluation. The outline and the results from the evaluation were as presented below:

H1: There is a significant relationship between human capital and quality of decisions

The scores for human capital and quality of decisions were subjected to a correlation test and the results are as presented in table 1.

Table 1: Correlation between Human Capital and Quality of Decisions

		human capital	quality of decisions
human capital	Pearson Correlation	1	.449(**)
	Sig. (2-tailed)	.	.003
	N	44	41
quality of decisions	Pearson Correlation	.449(**)	1
	Sig. (2-tailed)	.003	.
	N	41	49

** Correlation is significant at the 0.01 level (2-tailed).

As presented in table 1, the results showed a positive and moderate relationship between human capital and quality of decisions ($R = 0.449$) that was statistically significant ($p < 0.05$).
The hypothesis that there is a significant relationship between human capital and quality of decisions was therefore confirmed.

Discussion and Conclusions

The findings of this study are consistent with the findings of a study done by Currie and MacLeod (2017), who found that increased human capital enhances decision making and results into better performance of the physicians in USA. Decision quality is enhanced when the decision makers have the relevant knowledge, skills and competencies. Developing the human capital of the organization is not enough to guarantee success. There is empirical evidence that the quality of decisions depends on human capital. Strategic and operational choices of small organizations are quite often limited by resource constraints, but there are evidences that human capital development facilitated by training can play a pivotal role in innovation and consolidation of small and medium size organizations (Baldwin and Johnson, 1996).

Rogers and Blenko (2006) contend that making good decisions means being clear about which decisions really matter. It requires getting the right people focused on those decisions at the right time. That is true whether the decisions involve the largest issues that a company faces or more tactical, day-to-day concerns. Decision-driven organizations are distinguished by the consistency and caliber of their decision-making and execution at every level. This implies that if organizations build their human capital, the decision quality will improve, which in turn translates into improved firm performance. Organizations should enhance the quality of strategic decisions by carefully evaluating the various alternatives, understanding environmental influences and obtaining as much information as possible. The quality of strategic decisions depends on the amount of human capital possessed by the decision makers. Day-to-day decision making sometimes entails a conflict between reason and emotion since many decisions require self-control and emotion regulation in order to be successful (Frith & Singer, 2008). Given this, certain social skills can be assumed to be fundamental in order to make competent decisions (Rilling & Sanfey, 2011).

Enhancing decision quality requires attention to detail considering all relevant issues and not overlooking anything significant. Attention to detail requires awareness of the two aspects of decisions, the technical and the non-technical soft aspects. Enhancing decisions could therefore be a complex, time-consuming task that, in addition, requires extensive knowledge and skills (Rausch &Anderson, 2011). This study concludes that greater knowledge, skills and experience of employees and those in leadership contributes to better decisions, which in turn leads to improved organizational performance. This study presents a major contribution to the literature by confirming the relationship between human capital and quality of decisions.

REFERENCES

[1]Aaker, D., & Jacobson, R. (1994). The financial information content of perceived quality. *Journal of Marketing Research*, 31: 191–201.

[2]Anderson, E., Fornell, C., & Lehmann, D. (1994). Customer satisfaction, market share, and profitability: findings from Sweden. *Journal of Marketing*, 58: 53–66.

[3]Anderson, E. (1996). Customer satisfaction and price tolerance. *Marketing Letters* 7: 265–274.

[4]Anderson, E., Fornell, C., & Rust R. (1997). Customer satisfaction, productivity, and profitability: differences between goods and services. *Marketing Science* 16: 129–145.

[5]Appelbaum, E., Bailey, T., Berg, P., & Kalleberg, A. (2000). Manufacturing Advantage: Why High-performance Work Systems Pay Off, Cornell University Press, Ithaca, NY, .

[6]Awan M. A. S. A. & Sarfraz N. (2013). The impact of human capital on company performance and the mediating effect of employee satisfaction. IOSR *Journal of Business and Management*, Vol. 8 (2) pp 76-82.

[7]Backman, M. (2013). Human capital in firms and regions: Impact on firm productivity, Regional Science.

[8]Barney, J.B. (1991). Firm resources and sustained competitive advantage, *Journal of Management*, 17 (1) 99-120.

[9]Barney, J.B., &Wright, P.M. (1998). On becoming a strategic player: the role of human resources in gaining competitive advantage, *Human Resource Management*, 37 (1), 31-46.

[10]Batt, R. (2002). Managing customer services: human resource practices, quit rates, and sales growth, *Academy of Management Journal*, 45, 587-97.

[11]Becker, G. (1994). Human Capital: A Theoretical and Empirical Analysis With Special Referenceto Education Chicago: The University of Chicago Press

[12]Becker, G. (1964). Human Capital, Columbia University Press, New York, NY, .

[13]Black, S.E. & Lynch, L.M. (1996). Human-capital investments and productivity, American *Economic Review*, 86 (2), pp.263-7.

[14]Bontis, N. (1999). Managing organizational knowledge by diagnosing intellectual capital: framing and advancing the state of the field, *International Journal of Technology Management*, 18, 5-8, 433-62.

[15]Bontis, N., Crossan, M..M. & Hulland, J. (2002). Managing an organizational learning system by aligning stocks and flows, *Journal of Management Studies*, 39 (4), 437-69.

[16]Boxall, P. (1996). The strategic HRM debate and the resource based view of the firm, *Human Resource Management Journal*, 6 (3), 59-75.

[17]Capon N, Farley J, & Hoeni S. (1990). Determinants of financial performance: a meta-analysis. *Management Science* 36: 1143–1159.

[18]Central Bank of Kenya Bank Supervision Annual Report, 2012.

[19]Combs J. G., Ketchen D. J., Crook T. R. & Shook C. L. (2005). The dimensionality of organizational performance and its implications for strategic management research. In Ketchen D. J. (Ed.), *Research methodology in strategy and management*, 2, 259–286.

[20]Collis, D.J. & Montgomery, C.A. (1995). Competing on resources: strategy in the 1990s, *Harvard Business Review*, July-August, .118-28.

[21]Crook, T. R., Ketchen Jr., D. J., Combs, J. G., & Todd, S. Y. (2008). Strategic resources and performance: A meta-analysis, *Strategic Management Journal*; 29, 1141-1154.

[22]Cunningham I. (2002). Developing human and social capital in organizations, *Industrial and Commercial Training*, 34, (3), 89-94.

[23]Delaney, J.T. & Huselid, M.A. (1996). The impact of human resource management practices on perceptions of organizational performance, *Academy of Management Journal*, 39, 949-69.

[24]Fornell C. (2001). The science of satisfaction. *Harvard Business Review* 79: 120–121.

[25]Groot, W. & Van Den Brink, H.M. (2000). Education, training and employability, *Applied Economics*, (32), 573-81.

[26]Hatch, N.W. & Dyer, J.H. (2004). Human capital and learning as a source of sustainable competitive advantage, *Strategic Management Journal*, (25), 1155-78.

[27]Hitt, M.A., Bierman, L., Shimizu, K. & Kochhar, R. (2001). Direct and moderating effects of human capital on strategy and performance in professional service firms: a resource-based perspective, *Academy of Management Journal*, 44 (1), 13-28.

[28]Hudson, M. (1995). Managing without Profit, Penguin, London.

[29]Huselid, M.A. (1995). The impact of human resource management practices on turnover, productivity, and corporate financial performance, *Academy of Management Journal*, 38, 635-72.

[30]Insurance Regulatory Authority (IRA) Annual Report (2011).

[31]Jamal W. & Saif I. M. (2011). Impact of Human Capital Management on Organizational Performance, *Journal of Economics, Finance and Administrative Sciences*, Issue 34.

[32]Ittner, C. & Larker D. (1998). Are non-financial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of Accounting Research* 36: 1–35.

[33]Kibandi N. I. (2006). Failure Prediction of Insurance Companies in Kenya, University of Nairobi, School of Business, MBA Research Project.

[34]Kimani S. W., Kagira E. K. & Kendi L. (2011). Comparative Analysis of Business Students' Perceptions of Service Quality offered in Kenyan Universities, *International Journal of Business Administration*, 2, (1), 98-112.

[35]Lepak, D.P. & Snell, S.A. (1999). The human resource architecture: toward a theory of human capital allocation and development, *Academy of Management Review*, 24, 31-48.

[36]Lepak, D.P., Takeuchi, R. & Snell, S.A. (2003). Employment flexibility and firm performance: examining the interaction effects of employment mode, environmental dynamism, and technological intensity, *Journal of Management*, 29, 681-703.

[37]Lin, S. & Huang Y. (2005). The role of social capital in the relationship between human capital and career mobility, *Journal of Intellectual Capital*, 6, (2), 191-205.

[38]Nishantha B. (2011). The relationship between human capital, social capital and firm growth of small enterprises in Sri Lanka, *International Research Conference on Management and Finance*, University of Colombo.

[39]Perez J. S., Pablos P. O. (2003) "Knowledge management and organizational competitiveness: a framework for human capital analysis", *Journal of Knowledge Management*, Vol. 7 Iss: 3, pp.82 - 91

[40]Pfeffer, J. (1998). The Human Equation, Harvard Business School Press, Boston, MA.

[41]PriceWaterHouseCooper (2010). Key issues facing the insurance sector in Kenya, www.pwc.com.

[42]Rauch, A., Frese, M. & Utsch, A. (2005). Effects of human capital and long-term human resources development and utilization on employment growth of small-scale business: a causal analysis, *Entrepreneurship Theory and Practice*, 30, 681-98.

[43]Roos, G. & Roos, J. (1997). Measuring your company's intellectual performance, *Long Range Planning*, 30 (3), 413-26.

[44]Schultz T. W. (1961). Investment in Human Capital, *The American Economic Review*, 51, (1), 1-17.

[45]Simon D, Gomez M, McLaughlin E. & Wittink D. (2009). Employee attitudes, customer satisfaction, and sales performance: assessing the linkages in US grocery stores. *Managerial and Decision Economics*, 30, 27–41.

[46]Snell, S.A. & Dean, J.W. (1992). Integrated manufacturing and human resource management: a human capital perspective, *Academy of Management Journal*, 35, 467-504.

[47]Subramaniam, M. & Youndt, M. (2005). The influence of intellectual capital on the types of innovative capabilities, *Academy of Management Journal*, 48 (3), 450-64.

[48]Strasser, S., Eveland, J. D., Cummins, G., Deniston O. L. & Romani J. H. (1981). Conceptualizing the goal and system models of organizational effectiveness—implications for comparative evaluation research. *Journal of Management Studies*, 18, 3, 321–340. .

[49]Venkatraman, N. & Ramanujam V. (1986). Measurement of Business Performance in Strategy Research: A comparison of approaches, *Academy of Management Review*, Volume 11(4), 801-814.

[50]Yang H. & Chen K. S., (2000). A performance index approach to managing service quality, *Managing Service Quality*, 10 (5), 273 – 278.

[51]Youndt, M.A., Snell, S.A., Dean, J.W. & Lepak, D.P. (1996). Human resource management, manufacturing strategy, and firm performance, *Academy of Management Journal*, 39, 836-66.