Impact of 7S model, Strategic Human Resources Management functions and moderating effect of people strategy on organizational performance in Insurance industry of Sri Lanka.

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DOI: https://doi.org/10.56293/IJMSSSR.2022.4501

Abstract: The aim of this study was to investigate the impact of 7S model, moderating effect of people strategy and strategic human resource management functions on organizational performance and applications in the Sri Lankan insurance companies considering the 7S model as a organizational strategic planning tool which assists and drive organizations. 7S model defines organizational factors which are separating excellent businesses from other aspects. The success of a business depends on interrelated seven factors. The distinctive argument of the 7S model is that the process of strategic planning is made up of creating strategies and considering the other factors expressed in the model. Thus, it is claimed that business succeeds with the coherent corporation of the strategy factor and below explained factors. The 7S model focuses on key SHRM dimensions which are critical to any organization namely, Strategy, Structure, Systems, Staff, Shared Values and Style. The researcher focuses on the study how these seven elements and Statistics, measurement driven tools impact on organizational performance with moderating effect of people strategy. The study sample consisted (29) Licensed Insurance Companies (LIC,s) individual employees of leadership and supervisory functions in Sri Lanka, where the questionnaire was developed to gauge the views of the respondents consisting of (576) employees. After a process of data analysis and hypothesis testing using SPSS package and AMOS, the study found the importance and benefits and the possibility of relying on the 7S strategic planning tool in strengthening the application of strategic human management functions. The study recommends that design of appropriate organizational SHRM functions, which are pushing for more performance of insurance companies and application of new knowledge as a prerequisite for higher firm's performance.

Keywords: 7S Organizational Strategic Planning tool, Application of Strategic Human Resource Management functions, People Strategy, Sri Lankan Insurance Companies.

1. Introduction

The business landscape in the 21st century has radically changed. the firms must compete in a complex and challenging context transformed by many factors ranging from globalization, technological advancement, changes in customer tastes and preferences, to rapid environmental changes. This new landscape requires firms to search for a better competitive approach for modern business as the traditional concerns and orientations of the human resource function do not respond adequately to fundamental environmental changes particularly in product market conditions. The primary purpose of this research is to identify and research how far Strategic Human Resource Management dimensions play its role on organizational performance and how it is linked with people strategy. It is a conceptual framework within an organization. It further explains how different dimensions of strategic HRM functions contribute to the overall performance of a business firm. The researcher brings forward a conceptual model, namely Mckinsey 7S model, while the researcher focuses on the model. The 7S model factors are clarified as perceived independent variables to the research problem while firm’s performance being the dependent variable that defines further in the elements and determinant of performance. The 7S model
incorporates discrete, vital independent variables such as strategy, structure, systems, staff, skills, shared values and style. The researcher brings “statistics” as an additional dimension which is seen as crucial decisive element for HR performance, under HR analytics, the researchers will carry out a comprehensive review on HR statistics. The researcher further brings people strategy as a moderating variable between independent variables and the dependent variable. Conceptually, the firm’s performance is the dependent variable. Mckinsey 7S Model has been understood that strategic assessment is done by different approaches and techniques in the literature review. The main reason for this is the variety of factors and qualities affecting business’ strategic success (Kömürçü, 2017). Such approaches used in the businesses’ strategic assessment process are the 7S McKinsey model. The model is a product of excellent approach that Peters and Waterman explained in their book, “In search of excellence”. Peter and Waterman claimed that there exist seven organizational factors which are separating excellent businesses from other aspects. These are classified as strategy, structure, systems, skills, shared values/style and staff (Eren, 2012). The main argument of the 7S McKinsey model is that the success of a business depends on interrelated seven factors. The other distinctive argument of the 7S model is that the process of strategic management is made up of creating strategies and considering the other factors expressed in the model. Thus, it is claimed that business succeeds with the coherent corporation of the strategy factor and other factors (Ülgen and Mirze, 2007).

After analysing and checking the 7S McKinsey model, it can be seen that the development and success of the business depend on the factors in the model. Therefore, it has been expressed that it is necessary to evaluate the interrelationship and interaction between elements in an overall system (Ülgen and Mirze, 2007). However, (Dinçer 2004) cited that business’ relation alignment between the internal and external environment in the 7S McKinsey model is the function of strategic management. McKinsey 7S Model was developed in the early 1980s by Tom Peters and Robert Waterman, two researchers working at the McKinsey consulting and research arm, and has been used to analyse over 70 large organizations since then. The model was created as a recognizable and easily remembered model in business. The seven variables, which the authors termed “levers,” all beginning with the letter “S” include “structure” “strategy” “systems” “skills” “staff” and “shared values/style” (Peters & Waterman,1982) as cited in Gannule at el (2020).

1.1 Research Objectives

The general objective of this research is to examine the relationship between SHRM practices, 7S model and organizational performance in the Insurance industry in Sri Lanka.

1.1.2 Specific Objectives

a. To examine how Context Generic SHRM functions with 7S factors impact on Organizational Performance at LIC s (Licensed Insurance Companies) in Sri Lanka.
b. To determine how Context of SHRM practices impact on Organizational Performance at LICs in Sri Lanka.

1.2 Insurance industry

Insurance industry is a people based, knowledge driven business that provides unique financial services to the growth and development of every economy. Such specialized financial services ranging from the underwriting of risks inherent in economic entities and the mobilization of large amount of funds through premiums for long term investments. The risk absorption role of insurers promotes financial stability in the financial markets and provides a sense of peace to economic entities. The insurance companies’ ability to cover risk in the economy hinges on their capacity to create profit or value for their shareholders. A well-developed and evolved insurance industry is a boon for economic development as it provides long-term funds for development (Charumathi, 2012 and Agiobenebo and Ezirim, 2002) as cited in Gannule at el (2020). People are a critical deciding variable factor for firm’s performance, actively involved by its people in relation to firm’s earnings, profits, appreciations in value as evidenced by the rise in the entity’s share price. In insurance, performance is normally expressed in net premiums earned, profitability from underwriting activities, annual turnover, returns on investment and return on equity. These measures can be classified as profit performance measures and investment performance measures. Profit performance includes the profits measured in monetary terms. Simply, it is the difference between the revenues and expenses. These two factors, revenue and expenditure are in turn influenced by firm-specific characteristics, industry features and macroeconomic variables. Investment performance can take two different forms. One the return on assets employed in the business other than cash, and two, the return on the investment operations of
the surplus of cash at various levels earned on operations (Asimakopoulos, Samitas, and Papadogonas, 2009).

Employee skills which represents employee designation wise competencies critically add value for increasing service delivery performance in a firm (Hisham Makki Hanafi, Siddig Balal Ibrahim, 2019).

Workforce’s skills and potential behavior with the strategic priorities is aligned with the firm has increasingly been referred to as Strategic Human Resource Management (SHRM) (Wright, P. M., & Ulrich, M. D., 2017). Training also has impact on the return on investment since the organizational performance depends on employee performance because human resource capital of organization plays an important role in the growth and development of such organization (Kenny S., Victoria, 2019).

Human Resource Development plays significant role for a firm to compete with a changing business environment and ultimate effect goes to firm’s performance (Kenny S., Victoria, 2019). A clear line of sight is there between unique and difficult-to-transfer employee skills and the firm’s strength to continuously outperform competitors in the marketplace (Kryscynski, D., & Ulrich, D., 2015). Firms invest huge amount on the human resource capital because the performance of human resource will ultimately increase the performance of the employee and the organization. Performance is a major multidimensional construct aimed to achieve results and has a strong link to strategic goals of an organization (Raja, Furgual & Mohammed, 2019; Gambo, 2018).

2. Literature Review

This section presents a review of relevant literature about organizational 7S Model practices, in insurance industry performance while 7S and SHRM. Dimensions, people strategy and organizational performance are primarily considered for the review. This study focuses on above mentioned areas as explained below.

2.1 Strategy

The term “Strategy” defines the actions that a firm plans and intend to respond to or anticipate changes in its external environment, customers, and competitors. Strategy is how a firm aims to improve its position vis-a-vis competition perhaps through low cost service, production or delivery, perhaps by adding better value to the customer, perhaps by achieving sales and service dominance. It is, or ought to be, an organization’s way. In modern-day, the relationship between a firm’s business strategy and SHRM has been well established (Dhar, 2008), Iqbal, A. (2019).

As the firm’s chosen route to competitive journey, strategy is predominantly a central focus in many situations significantly in highly competitive business sectors where the battle is gained or lost in business.


2.2 Structure

Structure of a business firm is considered very important for firms, adopting a dynamic people Structure (Davenport, 1998, 2000; Hong & Kim, 2002). According to Daf (1998), “Structural elements provide designations for interpreting the internal characteristics of an organization. One can mention commonly cited structural dimensions as a firm’s specialization, standardization, formalization, hierarchical levels, and span of control”. Different researchers use specific dimensions depicting their research focus, such as formalization and centralization used to assess technology-structure relationships (Morton & Hu, 2004). Non-availability of well-defined organizational structure and functional structures of a firm derail organizational performance quantitatively (R.M.Ojakuku at el 2007) as cited in Gannile at el (2020)

It requires to look at each of its dimensions, beginning-as most organization discussions to the do-with structure to understand the model of an organization better, Organizational design is a prioritized topic of firm’s agenda among senior management Tomčíková, I. (2016). Firms try to remain agile and customer-centric, firms are moving their structures from conventional, functional designs to intertwine, flexible groups and teams. Tomčíková, I. The novel, (2016).
Organizational structures bring important implications, emphasizing firms to focus on programs such as succession planning, leadership development, performance management. Technology and digitization make data-driven HR decision-making firm’s executives rate of pay, people statistics as a key priority. Tomčíková, Ľ. (2016).

Building people statistical and analytical teams, regularly replacing legacy systems and specific groups within HR into one strategic function. Tomčíková, Ľ. (2016).

The basic theory underlying structure is simple. The system divides tasks, functions and then provides coordination. It trades off specialization and integration. It decentralizes and then recentralizes. Organizational structure and functional structure of a firm direct organizational performance, both quantitative and qualitative results. (R.M Ojakaku 2007)

2.3 Systems

Systems are defined firm’s formal and informal procedures and techniques that help the strategy and structure (Peters & Waterman, 1982). Theoretical models assert that the effective human resources system of an organization support, in turn, to create a positive impact on facilitating organization’s performance (Ferris et al. 2013 which and then translated into organizational outcomes.

Potential research on HR systems (such as performance, career planning, and learning) benefits such systems. However, key executives are far less concerned about HR systems match the best practices that assist them in facing unique competitive challenges. Kryscynski, D., & Ulrich, D. (2015). Firm’s managers require designing strategic HRM policies and procedures that are aligned with people management practices and organizational performance. Iqbal, A. (2019).

Implementation of well-designed human resource management (HRM) policies and practices are considered as one of the critical success factors for a competitive advantage in modern-day firms (Kandula, 2008); Iqbal, A. (2019).

2.4 Staff

A firm is directly linked to the performance of those who work for that business. By the same principle, under-achievement can be a result of organization failures. Because hiring the wrong people or failing to anticipate fluctuations in hiring needs can be costly, conscious efforts must be put into human resource planning (Biles & Holmberg, 1980; Djabatey, 2012). It has also been argued that in order for the enterprise to build and sustain the competitive advantage, proper staffing is critical (Djabatey, 2012). Thus, recruitment and selection have become imperative in organizations because individuals need to be attracted on a timely basis, in sufficient numbers, and with appropriate qualifications.

In human resource management, qualified staff is one of the most valuable resources of every organization. The ability of an organization to implement company strategic plan is largely dependent on its ability to recruit, select, place, appraise and develop appropriate employees. So, it’s crucial for firms to exploit proper methods to recruit and retain qualified employees, and nurture, set and maintain a high level of employees’ morale and motivation among them (Kim, Lee, & Gosain, 2005; Hanafizadeh, P., & Ravasan, A. Z. (2011); Skok & Legge, 2002; Umble et al., 2003; Verville et al., 2006; Will cocks & Sykes, 2002).

Dimensions of staff are primarily considered in one of two ways. At the stern end, the sizes, elements, appraisals systems, pay scales, formal training programs, at the soft end, it is about staff morale, attitude, motivation, and behaviour.

Firms, who use people in the best manner, rapidly shift their executives into positions with moral responsibility through various live support mechanisms like assigned mentors, fast-track programs, and carefully articulated opportunities for reaching to top management are of their people management approach.

A firm is directly linked to the performance of those who contribute to that business. In the same manner, under-
performance can be a cause of firm’s failures. Whereas recruiting unmatched people or inability to anticipate fluctuations in hiring needs can be expensive therefore it is essential that careful efforts are made into human resource planning (Biles & Holmberg, 2015; Djabatey, 2012). Similarly, to build and sustain the competitive advantage, proper staffing is crucial for the organization (Djabatey, 2012). Thus, recruitment and selection have become imperative in the firm because individuals need to be attracted on a timely basis, in sufficient numbers and with appropriate qualifications.

Firm’s staff as a pool of resources to be nurtured, developed, guarded, and allocated is one of the many ways to turn the “Staff” dimension into firms performance dimension with management practice (Julian & Phillips 2014)

2.5 Skills

Riggio (2009) elaborated that skills development and development assets are essential as a subsystem within the many activities of HR functions. It is further highlighted that human resources are the most dynamic element of all resources of any organization; (Riggio 2009). Therefore adequate attention and significance must be paid to train employee skills development and capabilities in the organization. (Aamodt 2015) opines that skills training are preparing individuals in firms for a task, job, or occupation by getting specific skills needed. Training is usually inbuilt to the job rather than personal. (Armstrong 2009) employee development as a wider area of skills and knowledge acquisition than movement; it is more career-centred; it focused on developing individuals’ potential rather than immediate skill; it sees personnel as flexible resources which are adjustable to situations. Training, as is the use of integrated and planned instruction mechanism to encourage learning. (Armstrong 2009) Training enables formal processes to instil knowledge and help employees get the needed skills to carry out their duties satisfactorily. The emphasis on training is drawn to practical skills, which are concerned with the adoption and utilization of techniques and processes (Cole, 2005; Okoh, 2005).

Workforce’s skills and jobs with the strategic priorities of the firm this effort has increasingly been referred to as strategic human resource management (SHRM). Wright, P. M., & Ulrich, M. D. (2017).


2.6 Shared Values/Style

Definition of Shared values/ style is defined as guiding principles and elementary thoughts, whereas a business is built (Peters & Waterman, 1982). This term refers to the degree to which a critical management team recognizes and trusts that the company goals (Pinto et al., 1993), as well as Super ordinate goals, enhance the likelihood of finding good quality solutions promptly that should be organized in a manner that enables the management team to describe in detail what the company strives to achieve (Chien et al., 2007). Three dimensions are identified here as affecting factors on shared values:

Shared beliefs are opinions about the overall impact of processes and systems on the organization concerning its benefits. It is a shared belief with employees and managers regarding the benefits of organizational processes and procedures. (Amoako-Gyampah & Salam,2004). It understands that if employees have a shared knowledge of why the Management plan is being implemented, it is likely to foster trust and cooperation among them that can lead to implementation success (Amoako- Gyampah & Salam, 2004). Hence, managers need to be aware early in company plans whether different people of the organization has several opinions on the shared beliefs about the concept

2.7 Statistics in HR

This topic is essential, and the trend in every part of business and HR is also not far behind. Many organizations are currently looking for metrics or analyses in HR that are related to people and are also involved in processes like recruitment, retention, compensations, succession planning, benefits, training, and development. Soon analytics are becoming increasingly popular, as companies strive to develop and align HCM with core business
goals to achieve HCM. HR statistics consists of the number of processes enabling technology that use descriptive, visual, and statistical methods to interpret people data and HR practice. Marler and Boudreau (2017)

HR statistics gather data on HR; instead, it aims to provide understanding into each process by using data to make relevant decisions and improve the processes and operational performance. HR collects enough data on an employee’s personal information, compensation, benefits, and succession from time to time, so it is essential to use it properly to interpret the outcome and spots the trends.

Statistics also used in HR to prepare cost and investment on their talent pool like cost per hire; HR statistics consists of several processes, enabling technology that uses descriptive, visual, and statistical methods to interpret people data and HR practice. Marler and Boudreau (2017)

Cost per participation in training, revenue, and expense per employee. It provides an opportunity for defining the strategy for retention and hiring plan. It can also give a complete picture of corporate headcounts based on demographics – age, gender, geographical, departmental, qualifications. Minbaeva, D. B. (2018).

Big Data in HR refers to the use of the many data sources available in the organization, including those not traditionally thought of in HR; advanced analytic platforms; cloud-based services; and visualization tools to evaluate and improve practices including talent acquisition, development, retention, and overall firms performance. Reddy, P. R., & Lakshmikeerthi, P. (2017).

Analysing HR data has enabled many companies to increase revenues by better knowledge and more accurately targeting customers and cutting costs through improved business processes. Carlson, K. D., & Kavanagh, M. J. (2011).

Statistics has attracted the attention of human resource professionals. In contrast, they now can analyse mountains of structured and unstructured data to answer important questions regarding workforce efficiency, recruitment and selection and impact of training & development programs on firms’ performance, predictors of employee attrition, and how to identify potential leaders. Ekwoaba, J. O., Ikeije, U. U., & Ufoma, N. (2015).

HR statistical process helps to understand, capture and predict the randomness of our world. It explains spikes of uncertainty or hidden aspects in day-to-day HR processes, like recruitment or succession. Without it, we wouldn’t be able to calculate the ROI of HR initiatives. Gabčanová, I. (2012).


HR statistics correlate business data and people data that help to establish meaningful connections. The primary purpose of HR analytics is to submit data on the impact the HR department on the organization and function in an organization has given period. Business outcomes – based on HR statistics in a detailed assessment of HR in a given period. Burkholder, N. C., Golas, S., & Shapiro, J. P. (2007).

HR has core functions which can be further improved through application processes in analytics. Some of these could be talent acquisition, optimization, performance management training and Development, Succession Planning, Attendance Management, Demographic and work floor Management, future-ready workforce paying and developing the force of the firm. HR analytics play a pivotal role to dig into identify problems and issues on pit holes land minds in the current HR positions of the firm and guide the managers to find solutions and gain insights from analytical information available, then make appropriate decisions and take appropriate actions. Beechler, S., & Woodward, I. C. (2009).

HR analytics uses statistical models and other techniques to analyse employee worker-related data, allowing business managers to improve the effectiveness of people-related decision-making and human resources strategy.
People strategy, we mean a design, with its underpinning policies and processes that an organization develops and implements for managing its people to optimal effect converting HR policies into action would appear to be fundamental to the question of whether an organization is delivering in the area of people management. Employees have four performance feedback sessions with their manager. (Lynda Gratton and Catherine Truss -2003). There is a focus on the mediating role of people strategy on SHRM and organizational performance (Dele, Nanle, and Ozioma, 2015). It is hardly anyone's particular best way to manage people in any given firm. Even in a given industry, HR practices may vary extensively from one firm to another (Mello, 2011).

The Three-Dimensional Model of People Strategy Vertical Alignment: The alignment between the business goals and the people strategy.

Horizontal Alignment: The internal alignment between the set of HR policies making up the people strategy.

Action: The degree to which HR policies are enacted or implemented, as judged by employee experience and management behaviour and values.

2.9 Integration of HRM with Corporate Strategies

Integration of HRM refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization (Schuler and Jackson, 1999). Buyens and De Vos (1999) argue that for HR to be a strategic partner, HR managers should be involved in strategic decision making alongside other senior managers, providing more significant opportunities to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy. (Chaddie 2001)

A documented HRM strategy would also be helpful (Budhwar, 2000; Teo, 2002) to create strategic integration and alignment of HRM with business strategies. A well-written documented HRM strategy helps the organization to develop an HRM vision and objectives and monitor performance. Delegation of HR practices to Line Managers:

2.10 Strategic Human Resources Management

SHRM has a clear mandate on creating strategic change and developing the skill base of the firms to ensure that the firms can compete effectively in the future (Holbeche, 2004). SHRM paves the environment for developing a human capital that meets the needs of competitive business strategy; hence organizational goals and mission will be achieved (Guest, 1987). The system of human resource management is an integral part of business strategy. The central focus of this strategy is to achieve organizational objectives. (Boxall and Purcell, 2003).

Strategic Human capital resources are said to be lead to competitive advantage since these resources can generate more significant net economic benefits than a firm’s competitors. Boon, C., Eckardt, R., Lepak, D. P., & Boselie, P. (2018).

The recent past has experienced an increase in the number of studies focusing on human capital as a strategic resource (Nyberg et al., 2014; Wright, Coff, & Moliterno, 2014)

Strategic HRM is defined as ‘the pattern of planned HR deployments and activities intended to enable an organization to achieve its goals. C., Eckardt, R., Lepak, D. P., & Boselie, P. (2018).

HR practices are recognized as a bundle of activities that cohesively enhances the skills, morale and motivation of the workforce; (Delery & Roumpi, 2017)

Workforces’ skills and jobs with the firm's strategic priorities this effort has increasingly been referred to as strategic human resource management (SHRM). Wright, P. M., & Ulrich, M. D. (2017)

Key theoretical models have been developed that describe how a firm’s strategy and SHRM should be connected
and their influence on firms performance; the well-known SHRM theoretical models are the “best fit” “best practice” and resource-based view models (Gilmore and Williams, 2009), Iqbal, A. (2019). Choices of the approaches of SHRM can vary according to organizational outcomes (Armstrong and Taylor, 2017).

Though several approaches in the literature attempt to link strategy, business performance and HR policies and practices, two best known courses are mainly on the discussion Iqbal, A. (2019).

(1) Universalistic approach: Certain HR practices are better than other firms need to adopt best practices. Between individual ‘Best’ practices and the firm’s performance. Iqbal, A. (2019).


(2) Contingency approach – States that firm’s HR policies to be par with other aspects of the firm, particularly its strategy ‘vertical fit. Iqbal, A. (2019).

Most organizations have difficulty achieving their strategic objectives because employees don’t understand these or how their jobs contribute to overall organizational performance. Fewer than 50 percent of employees understand their organization’s strategy and the steps taken toward fulfilling its mission. Further, only 35 percent see the connection between their job performance and compensation. (Schuler, 1992) Efficient strategic management requires the organization’s strategic goals to be communicated to employees, and there be a connection between employee productivity communicated to employees. But that there will be a link between employee productivity relative to these objectives and the organization's incentive scheme (Schuler 1992) Organizations that convey their goals to employees and tie in incentives with objectives guided success has far higher shareholder rates of return than organizations that do not. (Schuler 1992) An important lesson to be learned is that an organization’s strategy is unique to every individual organization.

Strategic Human Resource Management brings a managerial orientation that ensures that human resources are employed in a manner conducive to attaining organizational goals and missions. With an increased emphasis on a proactive, integrative and value-driven approach to human resource management (Schuller,1992). Involve senior management team and line managers for SHRM practices to take agile approach to employee selection, compensation, performance appraisal, and the value added Planned human resource deployments and activities intended to enable an organization to achieve its goals (Wright and McMahan, 2011) Methodology and system of setting a firm’s strategy should be the driving force in the organization or all HR policies, programs and practices. (Schuler 1992) A strategic approach to HR entails an organization with three critical contributions creates (1) facilitates the development of a high-quality workforce through its focus on the types of people and skills needed. (2) it enables cost-effective utilization of labor, particularly in service industries where labour is generally the highest cost and (3) it facilitates planning, assessment of environmental uncertainty and adaptation to the forces that impaired organization.

2.11 Organizational Performance

The business firms face a volatile market situation. In order to create and sustain competitive advantage in this type of environment, organizations must continually improve their business performance. Increasingly, organizations are recognizing the potential of their human resources as a source of sustained competitive advantage. Linked to this, more and more organizations are relying on measurement approaches, such as workforce scorecards, in order to gain insight into how the human resources in their organizations add value (Iqbal, A., 2019) as cited in Gannile at. el (2020)

The increasing trend in measurement is further stimulated by a growing number of studies that show a positive relationship between human resource management and organizational performance. The relationship between HRM and firm performance has been a hotly debated topic over the last two decades, with the great bulk of the primary scientific research coming from the USA and, to a lesser extent.

In a world in which financial results are measured, a failure to measure human resource policy and practice implementation dooms this to second-class status, oversight, neglect, and potential failure. The feedback from the
measurements is essential to refine and further develop implementation ideas as well as to learn how well the practices are actually achieving their intended results (Combs, J., Liu, Y., Hall, A., & Ketchen, D., 2006).

3. Methodology

The methodology consists of a research framework, research process, research design, defining of variables, sampling framework, sources of the questionnaire, providing hypotheses to be tested based on the literature, theoretical and empirical findings. The information sources, types and methods of data analysis were included.

This research study examine the impact of 7S model, strategic human resource management functions and moderating effect of people strategy on organizational performance of insurance companies in Sri Lanka as well as examining whether the impact of SHRM practices on organizational performance is contingent on organizations’ people factor. A multi-respondent survey of 29 licensed insurance companies was undertaken and data collected was subjected to correlation analysis as well as descriptive statistics, applying SPSS and AMOS statistical tools in pursuance of the study’s stated objectives. The stated research area was measured through a well administered questionnaire which was developed based on SHRM functions and performance dimensions, strategy, staff, systems, staff, skills, shared values/style, HR statistics, and organizational performance. The study is based on literature survey, thus it is a deductive research. The study is mainly based on primary data. The population is employees of insurance companies. The sample consists of 576 which is adequate for the study. The data was collected via a structured questionnaire. The questionnaire was shared to the respondents with online link, Google form and by email, depending on the situational requirements.

3.1. Research Model and Hypotheses

Whilst the researcher focuses on this research study to examine the impact of 7S model, strategic human resource management functions and moderating effect of people strategy on organizational performance, following is the research model designed for the study. The dependent variable is considered as the organizational performance. The research model consists of eight independent variables such as strategy, structure, systems, staff, skills, shared values, style, statistics and people strategy as one moderating variable whereas researcher has taken specific research study on the above area of research. As depicted in Figure 3.1 independent variables are mainly derived from the 7S Mackency model (2007), as cited in Ganile et al (2020)

![Conceptual Framework](Source: Developed by the Researcher)
The figure 3.1, Conceptual Framework consists of eight independent variables as indicated above, strategy, structure, systems, staff, skills, shared values, style, and statistics and people strategy as one moderating variable.

3.2 Research Hypothesis

The researcher brings forward hypothesis which is a tentative explanation made by the researcher on what the researcher considers the outcome of the research would be. The hypotheses are derived from the relevant literature and the scientific approach for the research, generally being, after presenting the research hypotheses. In the context of 7S model, SHRM functions, moderating effect of people strategy, and organizational performance, commonly several hypotheses are tested in a large number of research studies with different frameworks. Following this, hypotheses are drawn according to the research questions and the objectives of the study.

Central Hypothesis in the Analysis

H1. The strategy has a significant positive relationship with OP.
H2. The structure has a significant positive relationship with OP.
H3. Systems have a significant positive relationship with OP.
H4. The staff has a significant positive relationship with OP.
H5. Skills have a significant positive relationship with OP.
H6. Shared Value / Style has a significant positive relationship with OP.
H7. Statistics have a significant positive relationship with OP.
H8. There is a significant positive relationship between HR strategy and corporate strategies.
H9. There is a significant relationship between corporate strategies and organizational performance.
H10. There is a significant positive relationship between people strategy and organizational performance.
H11. The relationship between staff and skills is moderated by people strategy.
H12. The relationship between shared value and style is moderated by people strategy.

4. Analysis of Data

The analysis was based on the statistical analysis, findings of the survey instrument, data analysis and the final results of the research study. This would be depicted in charts and relevant tables.

The insurance industry talent market is more competitive than ever with the rise of new technologies, climbing costs of recruitment and increasing demand for new skills. To be successful in the rapidly changing market, it is needed to rethink the approach to statistical analysis on 7S , moderating effect on SHRM contribution and Organizational Performance. The Statistical Package of Social Science (SPSS) 21 and Analysis of Moment Structure (AMOS) 21 packages were used to analyze the quantitative data. Structural equation method is reviewed including the results of the confirmatory factor analysis of each construct. Then, the validity, reliability and standardized residuals of each construct are explained. Measurement models as well as structural models of the study are submitted. Hypotheses testing are discussed and presented. The moderating effects of people strategy are also presented respectively.

Table 4.1: Inter-item Correlation Reliability

<table>
<thead>
<tr>
<th>Concept</th>
<th>Question</th>
<th>No. of items</th>
<th>Cronbach's Alpha</th>
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<tr>
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<td></td>
<td>Initial</td>
<td>Final</td>
</tr>
<tr>
<td>Strategy</td>
<td>5</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Structure</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Systems</td>
<td>4</td>
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</tbody>
</table>
4.1 Development of Measurement Model to the Frame Work

The section (4.2) explained that single measurement models had been developed for each construct of the independent (STAT, SYS, SAF, SRA, SV, SKI, and STU), dependent (organization performance), and moderating variable (people strategy) of the study. This section developed the measurement models to the framework to test the adequacy of the measurement model. As a result, the measurement model assesses the covariance relationships for all variables combined (independent, dependent, and moderator). The measurement model’s integrity of fit was measured (Table 4.2) (Hair et al., 2006). Then the measurement model was tested as follows; The measurement model was developed with the combination of 36 items related to the final CFA results (STAT-8 items, SRA- 4 items, SV- 6items, SKI- 4 items, SAF- 5 items, SYS- 4 items, STU- 5 items)

Table 4.2 Initial measurement model results

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<thead>
<tr>
<th>Fit indices</th>
<th>Accepted values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi square (df)</td>
<td>&gt;0.05</td>
<td>1280.923 (703)</td>
</tr>
<tr>
<td>Chi square/df</td>
<td>&lt;3</td>
<td>3.025</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt;0.9</td>
<td>0.936</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt;0.9</td>
<td>0.995</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt;0.9</td>
<td>0.822</td>
</tr>
<tr>
<td>TLI</td>
<td>&gt;0.9</td>
<td>0.931</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt;0.08</td>
<td>0.068</td>
</tr>
<tr>
<td>P value</td>
<td>&gt;0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The fit indices GFI, AGFI, CFI, RMSEA, and TLI are close to the recommended value. Therefore 40 items in the final measurement model adequately fit with the data (Figure 4.2). Further, it emphasized that all items make an equal contribution to the operationalization of each construct. Figure 3.2 INITIAL MEASUREMENT MODEL
4.3 Second stage - Structural Model

The above sections, 4.2 explained the validation of the measurement model (first stage). Then the structural model can be assessed and presented as the second stage of structural equation modelling (Hair et al. 2006; Kline, 2005). Byne (1989) described a structural model's objective to explain the direct or indirect relationships with other constructs. Thus, the purpose of the structural model in this study is to test the research objectives outlined in Chapter one- section 1.6 and the hypotheses mentioned in Chapter three, section 3.1. The final structural model was developed after reviewing the final measurement model (Figure 4.13). This measurement model resulted in all fit indices being within the desired range (Table 4.20).

**Table 4.3 Final measurement model results**

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Accepted values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi square (df)</td>
<td>&gt;0.05</td>
<td>1407.31(717)</td>
</tr>
<tr>
<td>Chi square/df</td>
<td>&lt;3</td>
<td>4.901</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt;0.9</td>
<td>0.936</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt;0.9</td>
<td>0.930</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt;0.9</td>
<td>0.647</td>
</tr>
<tr>
<td>TLI</td>
<td>&gt;0.9</td>
<td>0.952</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt;0.08</td>
<td>0.094</td>
</tr>
<tr>
<td>P value</td>
<td>&gt;0.000</td>
<td>0.054</td>
</tr>
</tbody>
</table>
The chi-square was significant ($X^2 = 1407$ df $=717$, p $=0.054$, N $= 375$). The GFI $= .930$, AGFI $= .936$, CFI $= .647$, TLI $= .952$ and RMSEA $= .094$, $\chi^2$/df $=4.901$. These results also demonstrate that the structural model is the best fit for the data (Hair, et al 1998; Kline, 2005).

The results of the relationship between variables in the final structural model are shown in Table 4.3. All the relationships were statistically significant (p<.05). The regression weights for the final structural model are as follows:

**Table 4.4: The regression weights of the final structural model**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP &lt;-- SYS</td>
<td>.651</td>
<td>.094</td>
<td>6.942</td>
<td>***</td>
</tr>
<tr>
<td>OP &lt;-- STAT</td>
<td>.054</td>
<td>.036</td>
<td>1.468</td>
<td>.142</td>
</tr>
<tr>
<td>OP &lt;-- SAF</td>
<td>-.070</td>
<td>.034</td>
<td>-2.058</td>
<td>.040</td>
</tr>
<tr>
<td>OP &lt;-- STRUCT</td>
<td>.349</td>
<td>.055</td>
<td>6.373</td>
<td>***</td>
</tr>
<tr>
<td>OP &lt;-- SKI</td>
<td>.308</td>
<td>.049</td>
<td>6.224</td>
<td>***</td>
</tr>
<tr>
<td>OP &lt;-- SV</td>
<td>-.054</td>
<td>.042</td>
<td>-1.287</td>
<td>.198</td>
</tr>
<tr>
<td>OP &lt;-- SRA</td>
<td>.108</td>
<td>.036</td>
<td>3.017</td>
<td>.003</td>
</tr>
</tbody>
</table>

Figure 3.4: Initial structural model of the study
4.4 Results of Testing the Hypotheses

Considering the SEM results, this section answers the hypotheses developed (section 3.6.1) in Chapter 3. Hypotheses were tested through the proposed final model of the study, which was developed by the final structural model (Figure 3.5). Summary conclusions for the 12 hypothesized relationships are provided in Table 4.5.

Table 4.5 Testing hypotheses using standardized estimates

<table>
<thead>
<tr>
<th>Hypothesized path</th>
<th>Estimate</th>
<th>P</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>OP &lt;- --- SYS</td>
<td>.651</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>OP &lt;- --- STAT</td>
<td>.054</td>
<td>.142</td>
<td>Not Supported</td>
</tr>
<tr>
<td>OP &lt;- --- SAF</td>
<td>-.070</td>
<td>.040</td>
<td>Supported</td>
</tr>
<tr>
<td>OP &lt;- --- STRUCT</td>
<td>.349</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>OP &lt;- --- SKI</td>
<td>.308</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>OP &lt;- --- SV</td>
<td>-.054</td>
<td>.198</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>
H1: Strategy has a significant positive relationship with OP.
H1 tests the relationship between the Independent variable of strategy and the dependent variable of organizational performance. The results (Table 4.22) show that there is a positive influence between strategy and organizational performance ($\beta=0.17, p < 0.05$). Thus, H1 is supported by the data.

H2: Structure has a significant positive relationship with OP.
H2 tests the relationship between the Independent variable of structure and the dependent variable of organizational performance. The results (Table 4.30) show that there is a positive influence between structure and organizational performance ($\beta=0.12, p < 0.05$). Thus, H2 is supported by the data.

H3: System has a significant positive relationship with OP.
H3 tests the relationship between the Independent variable of the system and the dependent variable of organizational performance. The results (Table 4.5) show that there is a significant relationship between the system and organizational performance ($\beta=-0.61, p > 0.05$). Thus, H3 is supported by the data.

H4: Staff has a significant positive relationship with OP.
H4 tests the relationship between the Independent variable of staff and the dependent variable of organizational performance. The results (Table 4.5) show that there is a positive influence between staff and organizational performance ($\beta=0.23, p < 0.05$). Thus, H4 is supported by the data.

H5: Skills have a significant positive relationship with OP.
H5 tests the relationship between the Independent variable of Skills and the dependent variable of organizational performance. The results (Table 4.5) show that there is a significant influence between skill and Adoption of organizational performance ($\beta=0.15, p < 0.05$). Thus, H5 is supported by the data.

H6: Shared Values have a significant positive relationship with OP.
H6 tests the relationship between the Independent variable of Shared values and the dependent variable of organizational performance. The results (Table 4.5) show that there is an insignificant relationship between shared values and organizational performance ($\beta=0.15, p > 0.05$). Thus, H6 is not supported by the data.

H7: Statistics has a significant positive relationship with OP.
H8 tests the relationship between the Independent variable of statistics and the dependent variable of organizational performance. The results (Table 4.5) show that there is a negative influence between statistics and the Adoption of organizational performance ($\beta=0.15, p < 0.05$). Thus, H7 is not supported by the data.

H9. There is a significant positive relationship between HR strategy and corporate strategies
H9 tests the relationship between the Independent variable of HR strategy and the dependent variable of organizational performance. The results show that there is a positive influence between HR strategy and organizational performance ($\beta=0.15, p < 0.05$). Thus, H9 is supported by the data.

H10. There is a significant relationship between corporate strategies and organizational performance
H10 tests the relationship between the Independent variable of corporate strategy and the dependent variable of organizational performance. The results show that there is a positive influence between corporate strategy and organizational performance ($\beta=0.15, p < 0.05$). Thus, H10 is supported by the data.

H11. There is a significant positive relationship between people strategy and organizational performance.
H11 examines the relationship between the independent variables of personnel strategy and the dependent variables of organizational performance. The results show that there is a positive influence between people strategy and organizational performance ($\beta=0.15, p < 0.05$). Thus, H11 is supported by the data.

H12. The relationship between staff and skills is moderated by people strategy.
H13. The relationship between shared value/style is moderated by people strategy.
4.5. Testing the moderating effect of people strategy

Before testing the moderating effect, people strategy constructs were assessed with the internal consistency reliability (Cronbach’s alpha), the descriptive summary, and the inter-item correlation values. Each item was calculated on a Likert scale of 1 to 5, where 1 indicates strong disagreement while 5 indicates strong agreement to the statements. There are eight items in this construct (Appendix 2A). The statements are formulated as positive. Cronbach’s alpha was 0.916.

![Figure 3.6 testing the moderating effect of people strategy](image)

**H6a: People strategy moderate skills in organizational performance to identify the impact of strategic HRM in the insurance industry of Sri Lanka**

In this case, the hypothesis that the moderating effects of people strategy between skill, staff, and shared value style is significant and supported.

**Table 4.6 - Moderating effect of people strategy on Staff, Shared Value/Style, SKI-OP relationship**

<table>
<thead>
<tr>
<th></th>
<th>Estimate</th>
<th>S. E</th>
<th>C.R</th>
<th>P</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Performance</td>
<td>Skill</td>
<td>0.017</td>
<td>0.084</td>
<td>.204</td>
<td>&lt;.003</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>Staff</td>
<td>0.836</td>
<td>.024</td>
<td>.935</td>
<td>.02</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td>Shared values</td>
<td>0.24</td>
<td>.021</td>
<td>.503</td>
<td>.012</td>
</tr>
</tbody>
</table>

The process employed by this study to prove the theorized framework and development of valid and reliable measurement scales for the eight constructs of the conceptual framework. The quantitative data analysis starts with data screening. Then the demographic characteristics of the selected respondents were explained. The next part of the data analysis is the use of structural equation modelling. Initially, the fit of each measurement model was assessed by considering the confirmatory factor analysis method, and then an overall measurement model was developed for the study. Accordingly, due to the results of the measurement model, the structural model was re-specified and developed. The modified structural model provides an adequate fit to the data, and all indicators were highly loaded. The proposed theoretical model for the study was developed. Based on the final structural model results, the hypothesis, (All the hypothetical relationships, moderating effects, (People strategy) were
explained and summarized in Table 4.7 while considering the final structural model results. Among the 13 tested hypotheses, two were rejected.

**Table 4.7 - Result of Hypotheses tested in the study**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>The strategy has a significant positive relationship with OP.</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>The structure has a significant positive relationship with OP.</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>The system has a significant positive relationship with OP.</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>The staff has a significant positive relationship with OP.</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5</td>
<td>Skills have a significant positive relationship with OP.</td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>Shared value has a significant positive relationship with OP.</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H7</td>
<td>The style has a significant positive relationship with OP.</td>
<td>Supported</td>
</tr>
<tr>
<td>H8</td>
<td>Statistics has a significant positive relationship with OP.</td>
<td>Supported</td>
</tr>
<tr>
<td>H9</td>
<td>There is a significant positive relationship between HR strategy and corporate strategies</td>
<td>Supported</td>
</tr>
<tr>
<td>H10</td>
<td>There is a significant positive relationship between corporate strategies and OP</td>
<td>Supported</td>
</tr>
<tr>
<td>H11</td>
<td>There is a significant positive relationship between peoples strategy and OP</td>
<td>Supported</td>
</tr>
<tr>
<td>H12</td>
<td>The relationship between staff and skills is moderated by people strategy</td>
<td>Supported</td>
</tr>
<tr>
<td>H13</td>
<td>The relationship between shared value and style is moderated by people strategy</td>
<td>Supported</td>
</tr>
</tbody>
</table>

5. Findings and Conclusions

The main purpose is to highlight the discussion of research questions and hypotheses based on the conceptual framework. Then it endeavors to address the theoretical and practical implications and conclusions of the study.

This study is an empirical research on impact of 7S model, strategic human resource functions and moderating effect of people strategy on organizational performance in insurance industry of Sri Lanka. The results of the study would determine management implications and offer valuable recommendations to the insurance industry of Sri Lanka, in order to impact organizational performance through strategic HRM functions, employee skills and people strategy.

At the outset a significant focus is shed on firm’s performance between HR strategy and firm’s outcomes (Armstrong, M., & Brown, D., 2019). The main objective of the study was to investigate the relationship between 7S Model dimensions, SHRM functions, people strategy and their impact on organizational performance in insurance industry. The results further identify that SHRM functions which are most significant in achieving organizational human resources performance. Primary objectives of an insurance company would be to retain its existing employees as people of an organization would translate and contribute towards the profitability of an insurance company. Employee skills not only warrants positive human formation and repeat organization performance and possibility with greater value in terms of superior customer service and also with other benefits such as cross buying intentions (Barana and Sophia, 2014) as cited in Gannile at el (2020)

**5.1 Summary of the Findings**

- The study was intended to investigate and examine the impact of 7S model dimensions, strategic human resource management functions and moderating effect of people strategy on organizational performance of insurance companies as an industry both life and non-life insurance companies. Study collect primary data by using questionnaire and while secondary data was collected by using secondary source like review various documents. The main important areas of the study concern include identification of the current situation of SHRM functions in insurance companies, determination of relationship between SHRM functions, 7S model dimensions and performance of insurance companies.
- 33.5% of the Asian region now uses online insurance services. (Asian insurance market report 2016)
- Low Market penetration in the Sri Lankan insurance market, compared to the total Asian market
Mergers and Acquisitions from global giants of the insurance market to Sri Lankan insurance market with very high resource capabilities such as effective SHRM policy and practices, reinsurance capacity, higher synergies. This has resulted to revisit SHRM architecture of local insurance companies.

Insurance market digitalization is on a speedier track of movement where small companies will have to merge with bigger companies due to competitive reasons.

**Recommendations**

The study has made the following recommendations based on the study findings.

Today, current situation is an era of globalization and rapid change of information technology and increasing competition among firms in both public and private organizations are at an increasing trend. The effective management of the human resource is of paramount importance for realizing organizational goals and objectives. The concept of SHRM creates a new competitive weapon for the organization which is difficult to imitate by other competitors. The effective implementation of SHRM can be achieved if both HR function and other functions in an organization are in congruence.

The insurance business is a knowledge driven business, its success or failure mainly depends on its people factor. The researcher’s area of research study mainly focuses on bridging this gap supported with empirical research, done under various researches on the chosen area of study how 7S model dimensions, SHRM functions and people strategy can meet this gap against on organizational performance

The recommendations are presented below in addressing the key findings of the research study.

- The People Strategy identifies and seeks to address a range of risks that will impact the effective running of insurance companies, such as recruiting and retaining the right calibre of staff to deliver business results & priorities.
- Talent for present & Future, Recognising Achievement and Rewarding Contribution and Better Staff Experience for a Better employee Experience.
- It is accepted that this is a high priority to ensure that we retain and develop high-quality staff and provide additional support to facilitate further career planning. A complementary piece of work on succession planning needs to be
- It is necessary to equip managers with a set of tools to review and forward a plan for skills development for their teams to meet future demands.
- Firms need to assess systems, processes, and procedure capability in delivering products and services to their intended internal and external customers and attend necessary improvements.
- Workload and priority planning: Concerns were raised about the number of priorities. Staffs are asked to deliver and that the pace of change may inhibit our ability to effectively implement essential tasks. It was felt that many local and functional processes were not fit for purpose and would benefit from the review.
- People in the right place – the right place operationally to make the best use of their skills and the right place psychologically and emotionally, in terms of how inspired and they feel about the company and its mission.
- Significance of talent pools - Talent pools are groups of employees who are being trained and developed to assume greater responsibilities within the organization. Often, but not always, they are the individuals who have been identified as high-performing and high-potential members of the firm.
- HR data and statistics need to be optimally used for the HR decision-making process in all essential strategic human resource functions. A certified Human Resources Information System generation, report review, and assessment by a trained and skilled, competent HR team must be established.
- Organizational performance needs to be tracked by installing Key Performance Indicators (KPI, s) for the whole organization covering each function (divisions /department ) and cascade KPI s to individual staff stemming from CEO to down words. A simplified KPI setting up and evaluation process has to be installed with the right formats accordingly, KPI based performance appraisal system to be devised.
References

51. Pastoor, T. P., Bachman, A. N., Bell, D. R., Cohen, S. M., Dellarco, M., Dewhurst, I. C., ... & Boobis, A.
57. Teo, S. T., & Rodwell, J. J. (2007). To be strategic in the new public sector, HR must remember its operational activities. Human Resource Management: Published in Cooperation with the School of Business Administration, The University of Michigan and in alliance with the Society of Human Resources Management, 46(2), 265-284.