



SALES CAREER TENURESHIP AMONG INSURANCE  
SALESPERSON

BY

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## **ABSTRACT**

One of the major concerns under the organization of human resources is regarding the sales management. This includes the tenure period holds by the salesperson within the organization. Tenure has become one of the main concerns due to the reason that the cost of acquiring and recruiting a new salesperson is high. Moreover, if the turnover rate is high, it would also bring negative impacts toward the organization's competitiveness and productivity. The purpose of this study is to explore the various factors that influence the sales career tenureship among insurance salesperson. For that reason, data were collected from 204 insurance salesperson using self-administered questionnaires throughout Kuala Lumpur and Klang Valley areas. SPSS and AMOS were used for the purpose of data analysis. First, the Exploratory Factor Analysis (EFA) was performed in order to extract the factor underlying for each of the measured variable of interest. Then, Confirmatory Factor Analysis (CFA) was performed based on the new factors extracted from EFA. Based on the result obtained from the CFA, Structural Equation Modelling (SEM) was then drawn to examine the developed hypothesis as well as to test the fitness of the proposed model. Findings revealed that, there is indeed significant positive impact of intrinsic motivation on job satisfaction, organizational commitment, and employee's productivity. Similarly, it was also found that, intrinsic motivation, job satisfaction and organizational commitment have a very significant positive impact on tenure. Besides, job satisfaction also shows significant positive impact on organizational commitment. In sum, the finding of the research can bring some weight towards the managerial implication, especially in the area of human resource management.

## خلاصة البحث

إنَّ إحدى الاهتمامات الرئيسة في تنظيم الموارد البشرية هي التي تتعلَّق بإدارة المبيعات. وهذا يشمل مُدَّة العقد التي يتحملها مندوب مبيعات داخل المنظمة. لقد أصبحت مدة العقد من إحدى الاهتمامات الرئيسة لسبب كلفتها العالية للحصول على مندوب مبيعاتٍ جديدةٍ. وعلاوة على ذلك، إذا كان معدل دوران مُرتفعاً، فيؤدِّي إلى سلبية الآثار نحو تنافس المنظمة وإنتاجها. ولذا، تهدف هذه الدراسة إلى استكشاف العوامل المختلفة التي تؤثر في مُدَّة العقد لدى مندوب مبيعات للتأمين. ومن أجله، تمَّ جمع البيانات من 204 مندوب مبيعات للتأمين باستخدام الاستبانة المفتوحة في جميع أنحاء كوالالمبور ومناطق وادي كلانج. استخدمت الباحثة الرز الإحصائية للعلوم الاجتماعية (SPSS) وأموس (AMOS) لتحليل البيانات. في البداية، تمَّ إجراء تحليل عامل الاستكشاف (EFA) من أجل استخراج العامل الأساسي لأهمية المتغير المقيس. ثمَّ استخدمت الباحثة تحليل عامل مؤكد (CFA) استناداً إلى المعامل الجديدة المُستخرجة من تحليل عامل الاستكشاف. واستناداً إلى النتيجة التي تمَّ الحصول عليها عند تحليل مؤكد، فاستخدمت الباحثة هيكل المعادلة النموذجي (SEM) لتطوير فرضية الدراسة، واختبار صحَّة النموذج المقترح. واستنتجت الباحثة بأنَّ هناك أثرٌ إيجابي مهمٌّ لتشجيع فعلي من أجل إشباع العمل الوظيفي، والالتزام التنظيمي، وإنتاجية الموظفين التي تؤثر في مُدَّة العقد. بجانب ذلك، فإنَّ إشباع العمل الوظيفي له أثر كبير في الالتزام التنظيمي. وخلاصة القول، تفيد نتيجة الدراسة نظام المنظمة لا سيما في مجال إدارة الموارد البشرية.

## APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in Marketing.

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## **DECLARATION**

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

Masilah Mohamad

Signature .....

Date .....

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

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## LIST OF ABBREVIATIONS

NAMLIFA	The National Association of Malaysian Life Insurance Fieldforce and Advisers
LIAM	The Life Insurance Association of Malaysia
PIAM	General Insurance Association of Malaysia
BNM	Bank Negara Malaysia
SPSS	Statistical Package for the Social Sciences
AMOS	Analysis of Moment Structure
EFA	Exploratory Factor Analysis
CFA	Confirmatory Factor Analysis
SEM	Structural Equation Modelling
GDP	Gross Domestic Product
RBC	Risk-Based Capital
OJT	On-the-job training
SIP	Social Information Processing
OCB	Organisational Citizenship Behavior
PO	Person-organisation
SFA	Sales Force Automation
MI	Modification Indices
AVE	Average Variance Extracted
CR	Construct Reliability
CFI	Comparative Fix Index
RMSEA	Root Mean Square Error Of Approximation
df	Degree of Freedom
GFI	Goodness-Of-Fit Indices
NFI	Normal Fit Index
TLI	Tucker-Lewis Index
i.e.	( <i>id est.</i> ): that is
et al.	( <i>et alia</i> ): and others
e.g.	( <i>exempligratia</i> ): for example

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

This chapter provides an overview of the present research which is regarding the sales career tenureship among insurance salespersons. It begins with an a depth explanation of the background of the study, explaining an overview of the current phenomenon in the insurance industry in Malaysia. This follows with the issue of the problem statement of the study where the researcher provides justification for conducting the research. The research questions together with the objectives of the study will also be described in this chapter. Meanwhile, the following section will then explain the significance and the scope of this study. The significance of the study will describe on the importance of conducting this research, and as to the scope, it will explain more on how the research is going to be conducted. This chapter also provides the definition of key terms that are used in this thesis.

### **1.2 BACKGROUND OF STUDY**

Malaysia's insurance industry is one of the key drivers of the services sector. "A general breakdown indicates that the country's finance and insurance industry accounted for 20.1% of the services sector's output in 2011 (2000: 18.6%) as well as 11.8% of the country's Gross Domestic Product or GDP (2000: 9.2%). The services sector as a whole accounted for a hefty 58.6% of GDP and is expected to remain a major contributor to economic growth in the years to come"(Malaysian Rating Corporation Berhad, 2012).

“Several developments in the Malaysian capital market will affect the landscape of the insurance industry. For instance, with the benefits and advantages of the Risk-Based Capital (RBC), a draft of a similar framework is being considered for takaful operators in the future. In line with Malaysia’s bid to become an Islamic Financial hub, the Bank Negara Malaysia (BNM) has also identified the family takaful business as a near-term insurance priority with micro-takaful, medical and retirement products seen as the next steps for the industry. In the motor segment, gradual increases in premiums will continue in the next four years after they were revised for the first time in 30 years with effect from January 2012”(Malaysian Rating Corporation Berhad, 2012: 2).

Growth of the insurance industry is due to a greater demand for investment-linked product as well as the flourishing growing of Bancassurance and Takaful business throughout the country (Ministry of Finance, 2012). Recently, the insurance industry has become an essential part of the global financial market by which, insurance companies has become significant to the institutional investors (Hussels & Zurbruegg, 2005).

Apart from that, the new regulation made by the government also had contributed in giving favorable ground to the improvement of the industry in which all the foreign workers in Malaysia were required to have medical insurance coverage effective from January 1<sup>st</sup> 2011 (Ministry of Finance, 2012). As this happened, it has opened up many business opportunities for the insurance salesperson as well as career opportunities for those who have an interest to join the insurance sector.

### **1.3 PROBLEM STATEMENT**

Maintaining the current employees tenure to stay longer with the organization has become an important issue. A good knowledge in looking at the factors that make the salespersons shift to another organisation should be applied (McNeilly and Goldsmith, 1991). This has become an important part in the case of insurance salesperson also. This is due to the fact that a salesperson needs to be customer oriented (Azila, Noor, and Muhamad, 2005). The salespersons need to build the salesperson-customer relationship in order to build the long term commitment. Therefore, maintaining a longer tenure is a must, so that the relationship exists can be lasting forever. Hence, a salesperson needs to be customer oriented in order to maintain the current customer as well as getting the potential buyers.

In the area of sales management, many previous studies were conducted to look at the determinant of salesperson tenure (eg: Jolson, Dubinsky, and Anderson, 1987; Auer, Berg and Coulibaly, 2005; Yanadori and Kato, 2007; and Zain and Jan, 2011). Different researchers had tested the determinant of tenure with various variables which include; organisational effectiveness (Yanadori and Kato, 2007); employee productivity (Holzer, 1990); job satisfaction, intrinsic motivation, organisational commitment, and employee productivity (Zain and Jan, 2011) and productivity (Auer, Berg and Coulibaly, 2005).

The research conducted by Zain and Jan (2011), measured the determinants of salesperson tenure in a sales career of the car sales executive in Malaysia. The current study replicates the research conducted by Zain and Jan (2011). However, in the current research, the insurance industry is selected to make a comparison whether there will be differences between the result generated earlier from the car sales executives and the insurance salesperson. The National Association of Malaysian Life

Insurance Fieldforce and Advisers (Namlifa) has reported that, there are 83,174 insurance agents in Malaysia. Even though total insurance agents are considered high, what is the reason for them to maintain their tenure within the organization since 65% of insurance salesperson earned less than RM 20, 000 per year (Ho, 2012). Therefore, it is crucial to look at the reasons for the insurance salesperson to keep their tenure even though they are earning below than RM20 000 per year.

On top of that, there are few essential factors why insurance is selected as compared to the other industries in Malaysia. First, Malaysian Insurance Industry has its own established organisation called The Life Insurance Association of Malaysia (LIAM). With the existence of LIAM, it shows that Malaysia Insurance Industry is one of the established and important sectors that shape the Malaysian economy. Thus, it will enable researchers to get easier access to the information about Malaysian Insurance industry.

Secondly, there are a lot of career opportunities in the insurance industry (Life Insurance Association of Malaysia, 2011). Career opportunity is an important factor to be considered. There are 1654 vacancies for graduate candidates under financial and insurance activities and 1310 vacancies for non-graduate candidates under financial and insurance activities in Malaysia (Ministry of Human Resource, 2012). Based on this argument, researcher believed that it is essential to look upon the insurance industry as it is one of the sources of economic growth in Malaysia.

Previously, there were a number of researches conducted in Malaysia assessing the insurance salesperson. Each research focused on different variable, which includes; organisational commitment, self-monitoring and intrinsic motivation (Azila et al., 2005); intellectual capital efficiency and firm's performance (Maheran and Muhammad, 2004); service quality (Ahmad and Sungip, 2008); sales unit



effectiveness (Piercy, Low, and Cravens, 2011); and managerial trust and sales control (Mallin, Asree, Koh, and Hu, 2010). Yet, the current study try to test on different variable which has been tested in the research by Zain and Jan (2011). In filling the gap, the researcher has measured the new variables namely; intrinsic motivation, job satisfaction, organisational commitment and employee's productivity. Researcher hopes this will bring some useful knowledge towards research area especially in the area of human resource management and personal selling management.

#### **1.4 RESEARCH QUESTION**

To add to the body of knowledge in the area of the research, this study has addressed the question as to what are the determinant for the sales career tenureship among insurance salesperson.

- 1) How to measure the extent of insurance salesperson tenure within the organisation? This research question is developed in order to know what is the intention of salesperson tenure within the organisation.
- 2) What are the various factors that influence sales career tenure among insurance salesperson? This research question is important as it will enable the researcher to identify various factors that could contribute to the sales career tenure among insurance salesperson.
- 3) What are the salient predictors that would influence sales career tenures among insurance salesperson? This third research question is important as it will enable the researcher to know which are among the various variables is the predictor for sales career tenure among insurance salesperson.

## **1.5 RESEARCH OBJECTIVES**

The main purpose of the study is to explore various factors (if any) that influence sales career tenure among insurance salesperson. Among other objectives are:

- 1) To measure the extent of insurance salesperson tenure within an organisation.
- 2) To identify various factors that influence sales career tenure among insurance salesperson.
- 3) To determine the salient predictors that would influence sales career tenures among insurance salesperson.

## **1.6 SIGNIFICANT OF THE STUDY**

It is hoped that this research will be significant to many parties in an attempt to obtain greater understanding regarding sales career tenureship among insurance salesperson specifically in Malaysian context. They are still lacking in a number of researches regarding tenure and insurance salespeople in Malaysia (eg; (Azila et al., 2005; Maheran and Muhammad, 2004; Ahmad and Sungip, 2008; Piercy, Low, and Cravens, 2011; Mallin et al., 2010; Yanadori and Kato, 2007; Holzer, 1990; and Auer, Berg and Coulibaly, 2005).

This research is focused on the factors that could contribute to the tenure among insurance salesperson. Tenure is important to the organisation. An increasing cost of acquiring salesperson has been a major concern for most sales managers in today's competitive market (Barker, 1997). A high number of salespeople leaving the company can bring many negative possible impacts towards organisation which includes the impact on sales planning program; like in the area of recruitment and

selection of personnel, supervision, deployment, training, and sales support (Jolson, Dubinsky, and Anderson, 1987).

Greater understanding of salesperson can bring many benefits towards organisational performance and success. There is growing evidence that all the marketing activities which collaborated with selling activities can help to achieve company objectives which can exceed the shareholder expectation (Grant and Cravens, 1999).

Therefore, researcher hopes that this study will benefit all and will be an addition to the existing body of knowledge in terms of sales career tenureship among salesperson in Malaysia. On top of that, the researcher also hopes that the generated results can be the basis for greater understanding of top management of insurance organisations to understand the salesperson in depth as well as towards the students who have an interest in pursuing their career as an insurance salesperson in the future. As for the academicians, hopefully the generated result will enable them to educate the student about the insurance industry as well as provide the real picture about the insurance industry in Malaysia.

## **1.7 SCOPE OF THE STUDY**

This research is conducted to observe the sales career tenureship among insurance salesperson in the Malaysian insurance industry. The scope of this study covers the insurance company in the area of Kuala Lumpur and Klang Valley. Salesperson tenureship is measured by looking at four variables namely as; Job Satisfaction, Organisational Commitment, Employee's Productivity and Intrinsic Motivation.

## **1.8 DEFINITIONS OF KEY TERMS**

A number of key terms that are used in this study need to be further elaborated in order to give better understanding to the readers and they are as follows;

### **1.8.1 Salesperson**

An individual who sells goods and services to other parties. The success of a salesperson depends on the number of sales he or she achieved throughout a specific time period which has been determined by the company.

### **1.8.2 Agent**

This key term refers to the status given to the insurance salesperson after he or she take a special test in order to become the insurance salesperson.

### **1.8.3 Tenure**

Refers to the status given to an employee, normally after they finish their probationary period, as a result their position or employment is permanent.

### **1.8.4 Intrinsic Motivation**

Refers to the motivation that comes from the individual internal factor himself rather than from external factor such as money, rewards or grades.

### **1.8.5 Job Satisfaction**

Refers to how an individual is pleased and satisfied with the current job that he or she is doing. The happier the people with the job, the more satisfied they are to be.

### **1.8.6 Organisational Commitment**

Refers to the strength of feeling of responsibility that employees possess towards the organisation in which they are currently attached to.

### **1.8.7 Employee's Productivity**

Refers to the performance of the employees to measure their efficiency and effectiveness in completing their tasks.

## **1.9 THESIS OUTLINE**

In this study, five chapters are outlined to explain the ideas of the study, the interest and the findings of the study systematically. The first chapter provides a brief overview and background of the study. It elaborates the ideas of the study from the beginning till the stage where the problems occur and become an interesting issue for the researcher. The purpose of this study and the result which is derived, is also explained in this chapter.

The second part is the literature review. In this chapter, the researcher briefly explained the variables used in conducting the study. Moreover, the researcher also demonstrates how previous study related to the topic was conducted.

This report continues with the methodological aspects. It covers the issue of how the study has been approached and also indicates on how the quantitative method is chosen. Besides, it also explains about the description of the target respondent in the study where it would benefit them as well as the company. Based on the literature, researcher also provides the hypothesis made based on each variable and proposing the conceptual model for the research. It describes how one variable relates to the other variable in the framework. Other than that, this study is hoped to be able to

provide a clear picture of the position of each variable in this study. It also covers on how to approach the target respondent to gain the information for the study. Besides the above mentioned issues, this chapter also discusses the analysis that used in this study to analyse and check the validity and reliability of the data.

The fourth chapter is about the research findings and discussions based on the findings. In this chapter, the researcher explains about the methods that have been used to analyse the data. The chapter also gives details on the findings in this study. It will also discuss the findings that are related to the study and how the findings would answer the research questions.

As to conclude, the fifth chapter which is the topic of discussion and implications is presented as the most important findings. It summarises the analysis with the research questions as the reference. It also explains the findings that are related to the study. Besides, the implications for marketers and academician for the future study are also discussed further in this chapter.

## **1.10 CHAPTER SUMMARY**

To summarise, the first chapter of this research consists of ten parts. The first part explains about the research in general. The second part of the research explains the background of this study. This area focuses on the background of the insurance industry in Malaysia with regard to the tenure among insurance salesperson. The third part discusses the problem statement that will be the basis for researcher in conducting the current study. The fourth part discusses about the research questions. From the research questions, researcher will establish the objectives in which he or she has answered the research questions. Next, the sixth part is elaborating on the significance of the study. This part illustrates those parties who may benefit from the

finding of the research. The seventh part is focused on the scope of the study. This part elaborates on the area that will be chosen by the researcher in conducting the research. The eight part consist of the definition of the key terms used by the researcher in conducting the research. The ninth part is about the outline of the research and last but not least is the tenth part which is the review for chapter one.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

In the area of sales management, tenure has become one of the major considerations for the management and has been used across different service-intensive industries. The increase in cost of acquiring salesperson has been a major concern for most sales managers in today's competitive market (Barker, 1997). A high number of salespeople leaving the company can bring many negative possible impacts towards organisation which includes the impact on sales planning program; like in the area of recruitment and selection of personnel, supervision, deployment, training, and sales support (Jolson et al., 1987).

Regardless of many researches done, there is still a lack of number of researches that measure on tenure, specifically towards insurance salesperson in Malaysia context. Past researches mostly focused on western countries and other Asian countries like Korea, Taiwan, India and China (e.g: Pathak and Tripathi, 2010; Tian, 2011; Wang and Liang, 2012; Piercy, Low, and Cravens, 2011; Koh, Gammoh, and Okoroafo, 2011). Therefore, this study makes an attempt to investigate the determinant for sales career tenureship among insurance salesperson in Malaysian context.

This chapter highlights on the institutional background of insurance industry in Malaysia where the researcher will later explain why insurance is preferred despite other service industries in Malaysia. Furthermore, this chapter proceeds with the discussion regarding past literature about tenure. After that, the chapter continues with in-depth discussions on variables that could be the determinants for tenure namely;