

**PERFORMANCE EVALUATION IN THE INSURANCE INDUSTRY- AN  
ANALYTICAL STUDY****Dr. Shurbhi Desai,**  
KOCHI, INDIA.**ABSTRACT**

*The importance of studying organizational commitment and job satisfaction is that organizations who depend on positive relationships with clientele and co-workers cannot afford to have employees who are not committed to the organization and could not have or frame HR policies for the people who leave the organization within a short span of time. Employees of public sector insurance companies are supposed to have less turnover intention as most of the seniors are already in the verge of retirement and others in the middle order have a job security and higher salaries in comparison to private sector. The senior employees of existing public sector insurance companies are also flooded with opportunities in private sector. Hence the current study aims at exploring the various factors of job satisfaction in relation to public sector insurance companies and its relation to organizational commitment. The results of the PLS-SEM proved that there is direct positive significant relationship between job satisfaction and organizational commitment.*

**Key words:** Job Satisfaction, Organizational commitment, Insurance industry, Structural Equation Model, Smart PLS

are not committed to the organization and leave after only a short amount of time on the job.

(Mueller CW, 1994) when employees are both satisfied with their jobs and committed to the organization, the organization will be

strengthened and will result in greater cooperation and a reduced likelihood of quitting. However, job satisfaction and organizational commitment are more influenced individually by various factors. Job satisfaction is more focused on individual's attitude towards job, pay, working conditions, leadership style etc., while organizational commitment is more macro focused to the attitude of employee toward the organization, its values and his emotional attachment. Similar to other industries, insurance industry do face the problem of high employee turnover while job satisfaction and organizational commitment are the antecedents to it. Employees of public sector insurance companies are supposed to have less turnover intention as most of the seniors are already in the verge of retirement and others in the middle order have a job security and higher salaries in comparison to private sector. Hence this study focuses on understanding the current level of job satisfaction, organizational commitment and their relationship, among the employees of public sector general insurance companies.

**1. INTRODUCTION**

Organizational commitment has been defined as a psychological link between the employee and the employing organization that make it less likely that the employee will voluntarily leave the organization (Meyar, 1996). The importance of studying organizational commitment and job satisfaction is that organizations that depend on positive relationships with clientele and co-workers cannot afford to have employees who

**1. THE STUDY****1.1 Statement of the problem**

Insurance is the most important wing of the financial sector. As per the IRDA Annual Report, 2012-13, both the life and non-life segments of Indian insurance registered a poor growth as against the previous year 2011-12. The life insurance sector registered 0.05% growth while the non-life sector registered only 19.10% which is much low in comparison to the previous year's growth record. Like banking industry, insurance

industry is also facing the voluntary and involuntary turnover of employees as most of the senior employees are in the verge of retirement by 2016. On the contrary to the banking sector, there are no sufficient recruitments to the public sector insurance companies of both life and non-life to fill up the positions. Adding fuel to the fire, opening up FDI to insurance sector and infuse of new private insurance companies paves new opportunities for the fresh blood to work in soothing, vibrant and techy work atmosphere, MNC kind of management etc in private sector. Moreover, the senior employees of existing public sector insurance companies are also flooded with opportunities in private sector. Hence the current study aims at exploring the various factors of job satisfaction and organizational commitment of employees of public sector general insurance companies.

### 1.2 Objectives of the study

The current study aims at the following research objectives:

- (i) To explore the relationship between job satisfaction and organizational commitment and the selected antecedents of job satisfaction of the employees of insurance industry
- (ii) To formulate a structural equation model based on the study

### 1.3 Review of literature

#### Co worker relationship

Good coworker relationship can help employees address work challenges and enable them to be dedicated to details that affect service quality, enhance service quality stability and improve job satisfaction (Zhen, 2006) (Balzer W K, 1997) (Dabke S, 2008) (Chun-Chang Lee, 2013).

#### Work family conflict

Work family conflict is defined as “a form of inter-role conflict in which role pressure from work and family domains are mutually incompatible in some respect” (Greenhaus J.H, 1985). Regardless of the various terms used by various researchers, it is suggested by most of them that this conflict is primarily caused by excessive work demands, and it predicts negative family outcomes. (Cardenas R A, 2004) Argued that employees have limited time and energy to devote to numerous domains in their life. This suggests it is necessary to ignore the demands of one domain (eg. Family) to satisfy the demands of another domain (eg. Work) and

this imbalance can cause conflict. (Foley S, 2005) pointed out that work-family conflict can instigate in either field such that family can interfere with work duties or work can interfere with family needs.

#### Work stress

Work stress is described as an employee's affective reaction to elements of the workplace and work environment. (Carayon P, 1999) found that stress arises when a person interacts with the work environment that threatens the individual's physical, psychological and physiological homeostasis. Insurance work is associated with timeliness, perfection in underwriting a policy, competitive scenario in the industry, continuous and rapid technological change, heavy workload and transfers and other associated voluntary and involuntary turnovers in the organization etc.

#### Role ambiguity

Role ambiguity arises when individuals do not have clear authority or knowledge about how to perform the assigned jobs (Rizzo J R, 1970). This occurs due to lack of clarity of one's duties, plans, goals and uncertainly about the amount of authority granted to perform tasks. (Jackson S E, 1985) (A, 1981) classify that role ambiguity leads to decreased job satisfaction and hence exert negative indirect effects on intention to quit one's job. (Dunham R B, 1994) reported that role ambiguity is negatively related to affective and normative commitments. Underwriting and claims department of an insurance company, especially in public sector is full of ambiguity. Regular transfers, job rotation and inadequate manpower due to voluntary and involuntary turnover and unfilled posts in public sector insurance companies make the scenario worse.

#### Job satisfaction

Job satisfaction is an attitude that individuals have about their jobs. It results from their perception of their jobs. (R, 1935) was the person who propounded the concept of job satisfaction. He says that it is the employee's feeling about the environment both in psychological and physical and the employee's subjective reaction to the working situation, including the overall satisfaction. Job satisfaction is also defined as the extent to which an employee likes hi/her current job. (P, 1987) (Spector) Job satisfaction has a significant and positive relationship with three dimensions of organizational commitment and turnover intention has a significant relationship with job

satisfaction and organizational commitment (Lacity C M, 2008).

Organizational commitment

Commitment refers to attachment and loyalty. It is associated with the feelings of individuals about their organization (Armstrong, 2010). (Porter, 1974) defined commitment as the relative strength of the individual’s identification with and involvement in, a particular organization. The three characteristics of commitment identified by (Mowday R, 1982) are:

- (i) A strong desire to remain a member of the organization
- (ii) A strong belief in, and acceptance of, the values and goals of the organization
- (iii) A readiness to exert considerable effort on behalf of the organization

1.4 Hypothesis of the study and the theoretical model

The individual reliability of the constructs is tested by Cronbach Alpha measure. As the individual alpha scores of Work stress(0.583) and Role ambiguity(0.265) variables are much less than the acceptable range (>0.70), both the variables are eliminated from the basic model. Hence the proposed model is constructed with the four qualified constructs namely, Coworker relationship( $\alpha=0.887$ ), Work family conflict( $\alpha=0.885$ ), Job satisfaction( $\alpha=0.942$ ) and Organizational commitment( $\alpha=0.829$ )

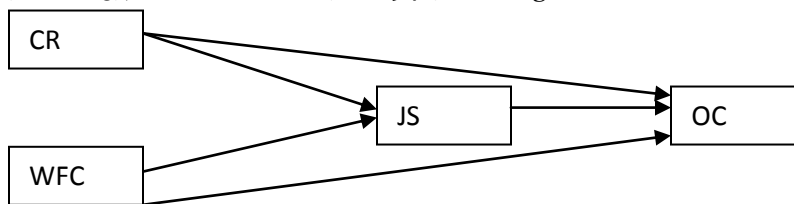


Figure 1: Proposed Model

Following are the research hypothesis made for the study:

Hypothesis	Statement
H1	Coworker relationship has significantly positive effect on Job satisfaction
H2	Work Family conflict has significantly negative effect on Job satisfaction
H3	Coworker relationship has significantly positive effect on Organizational commitment
H4	Work Family conflict has significantly negative effect on Organizational commitment
H5	Job satisfaction has significantly positive effect on Organizational commitment

1.5 Research design and instrument

Research design proposed for the study is ‘Descriptive’ type of research. This type of research deals with quality of responses from the respondents, attitudes, interests, technical skills, experience, behavioral, beliefs and values, emotions, personality, self concept etc. The sampling design applied in the study is convenient sampling. Primary data was collected through survey method using

Job satisfaction and organizational commitment

Past research has found a positive correlation between job satisfaction and organizational commitment (Zajac, 1990). (HazerJT, 1986)found a direct link between job satisfaction and organizational commitment, whereby job satisfaction is an antecedent of organizational commitment. (Kalleberg, 1990) (Porter, 1974) and (Meyer, 1993)maintain that satisfaction to commitment model assumes that satisfaction is a cause of commitment. (Leshya, June 2013) found that the job satisfaction had a significant positive correlation with organizational commitment.

questionnaire as the tool. The variables for the constructs are selected carefully with the support of various reviews. A total of 150 questionnaires were collected from the 4 public sector general insurance companies in Coimbatore district.

1.5 Measure and method

The questionnaire consisted of two parts, first being the various measure of demographic

profile of the employees and the second part measures the employee perception of the selected constructs namely, Coworker relationship (5 items), work family conflict(4 items), Work stress(3 items), Role ambiguity(4 items), Job satisfaction(6 items) and organizational commitment(5 items). All the measures in this study used a five-point Likert scale. Items were summed up within the scales to create composite measures for each variable. Correlation is used to determine the relationship between the constructs. Cronbach alpha is used to check the individual reliability of the constructs. KMO test is applied to test the sampling adequacy and Bartlett's test of Sphericity is also used. To perform the CFA for the model, SmartPLS 2.0 software is used to run the model after checking up the individual reliability. Finally, the model fit is obtained by measuring the various indices and by checking the Goodness of Fit index.

### 1.6 Limitations of the study

The study is descriptive in nature, limited to Coimbatore city only. Only the four public sector general insurance companies viz., National Insurance Co, The New India Assurance Co., Oriental Insurance Co and United India Insurance Co were selected for the study. Opinion of LIC employees is out of scope of the study.

## 2. DATA ANALYSIS

### 2.1.1 Correlation Matrix

Table 1 below exhibits the correlation between the constructs.

Table 1: Correlation Matrix

	CR index	WFC index	Job Satisfaction index	Organisational Commitment index
CR index	1	-.194*	.452**	.345**
WFC index	-.194*	1	-.226**	-.226**
Job Satisfaction index	.452**	-.226**	1	.805**
Organisational Commitment index	.345**	-.226**	.805**	1

\*. Correlation is significant at the 0.05 level (2-tailed).

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

From the above table, it is evident that the correlation matrix is not the identity matrix and hence the fear for multicollinearity is ruled out which further enlightens to proceed for model building.

### 2.1.2 KMO and Barlett's Test

### 2.1 Inference of results

In order to statistically analyze the measurement and structural models, this study uses the Smart PLS 2.0 software for Structural Equation Modelling (SEM) technique (Riggle, 2009). In SEM, the measurement model refers to the linkages between the latent variables and their manifest variables and the structural model captures the hypothesized causal relationships among the research constructs (Chin, 1999). Unlike AMOS and LISREL which are covariance based approaches, Smart PLS is a regression based technique that originates from path analysis. Smart PLS has emerged as a powerful approach to study causal models involving multiple constructs with multiple indicators (Chinomona, 2012). Smart PLS - a component-based method, has an ability to model latent constructs that are uncontaminated by measurement error under conditions of non-normality. It has the ability to handle complex predictive models in small-to-medium sample sizes. Since the current study sample size is relatively small (150) Smart PLS was found more appropriate and befitting the purpose of the current study. In this respect, Bootstrapping resampling method was used to test the statistical significance of the relationships. This procedure entailed generating 200 sub-samples of cases randomly selected, with replacement, from the original data.

<b>Table 2 :KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.565
Bartlett's Test of Sphericity	Approx. Chi-Square	3843.675
	Df	190
	Sig.	.000

The results of the KMO test exhibited in the above table, KMO 0.565 which is more than 0.50 suggests the adequacy of sample and Bartlett's test of sphericity is significant.

### 2.1.3 Measurement Model

To test the measurement and structural model, reliability and validity is checked and Table 3 below exhibits the results.

**Table 3 :Accuracy Analysis Statistics**

<b>Construct</b>		<b>Factor loading</b>	<b>AVE</b>	<b>Composite Reliability</b>	<b>R<sup>2</sup></b>	<b>Cronbachs Alpha</b>	<b>Communality</b>	<b>Redundancy</b>	<b>SQRT OF AVE</b>
CR	CR1	0.79	0.7065	0.9226	0.00	0.8946	0.7065	0	0.840536
	CR2	0.79							
	CR3	0.88							
	CR4	0.72							
	CR5	0.87							
WFC	WFC1	0.79	0.7407	0.9194	0.00	0.8854	0.7407	0	0.860639
	WFC2	0.90							
	WFC3	0.84							
	WFC4	0.88							
JS	JS1	0.76	0.7823	0.9557	0.2419	0.9443	0.7823	0.1651	0.884477
	JS2	0.75							
	JS3	0.57							
	JS4	0.70							
	JS5	0.75							
	JS6	0.84							
OC	OC1	0.78	0.6387	0.8953	0.648	0.8462	0.6387	0.006	0.799187
	OC2	0.74							
	OC3	0.74							
	OC4	0.81							
	OC5	0.75							

From the above Table 3, it is evident that the individual factor loadings for each construct are

above 0.50 with a positive determinant. This confirms that all the measurement items

converged well on their respective constructs. The reliability of the model is checked with the measures of Cronbach Alpha (>0.7) (Hair J R, 2012) to measure the internal consistency and Composite Reliability (>0.70) (Bagozzi R P, 1988). It is seen that all of the indicators have individual internal consistency and indicator reliability values greater than 0.70.

The discriminant validity is the degree to which any single construct is different from the other constructs in the model. (Larcker, 1981) suggest that the square root of AVE in each construct should be greater than the

correlation loadings. From then Table 2, the Sqrt of AVE scores are found to be greater than the respective factor loadings in Table 1 which proves the overall fit of the outer model.

### 2.2 Structural equation model results

Smart PLS generates the path coefficients for the relationships modeled among the constructs. The significance of these coefficients is assessed using bootstrap procedure with 200 sub samples and t- value for each path estimate. Figure 2 and Table 4 presents the results of PLS analysis.

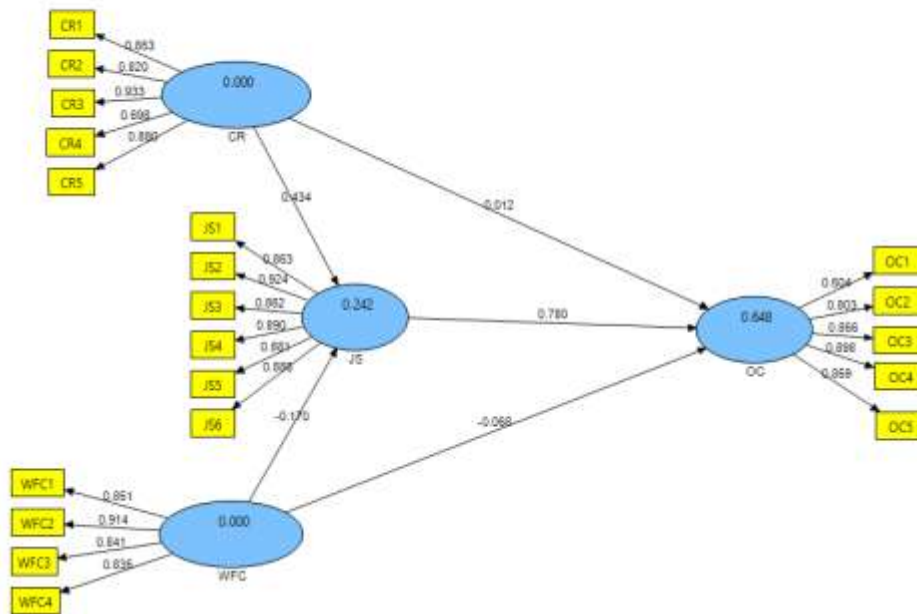


Figure 2: Measurement and Structural model results

In PLS method, the structural model and hypothesis were tested by computing path coefficients ( $\beta$ ). As PLS does not require a normally distributed data, it is evaluated with  $R^2$

measure for dependent constructs (Cohen, 1992). The values of  $R^2$  are depicted inside the constructs.

Table 4: Results of the PLS -SEM

	Original Sample (O)BETA	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics ( O/STERR )	Result (Significant / not significant)
Coworker Relationship -> Job Satisfaction	0.4339	0.4309	0.0764	0.0764	5.6829	Significant
Work Family Conflict -> Job Satisfaction	-0.1704	-0.1817	0.0615	0.0615	2.7691	Significant

Coworker Relationship -> Organizational Commitment	0.0118	0.0151	0.0619	0.0619	0.1912	Not significant
Work Family Conflict -> Organizational Commitment	-0.0676	-0.0718	0.0484	0.0484	1.3963	Not significant
Job Satisfaction -> Organizational Commitment	0.7803	0.7788	0.0471	0.0471	16.578	Significant

The results of the evaluation of inner model are evident from the Table 4. The last column added shows the results of the path coefficients when compared to the t-statistics. The t-statistics values should be greater than 1.96 (for 5% level of significance) for the path coefficient to be significant. (Hair J R, 2012).

The relationship of coworker relationship and job satisfaction is significant with  $\beta=0.4339$  indicating that the coworker relationship has direct positive significant relationship with job satisfaction, therefore H1 is supported.

The relationship of work family conflict and job satisfaction is significant with  $\beta= -0.1704$  indicating that the work family conflict has direct negative significant relationship with job satisfaction, therefore H2 is supported.

The relationship of coworker relationship and organizational commitment is insignificant with  $\beta=0.0118$  indicating that the coworker relationship has direct positive insignificant relationship with organizational commitment, therefore H3 is not supported.

The relationship of work family conflict and organizational commitment is insignificant with  $\beta=-0.0676$  indicating that the work family conflict has direct negative relationship with organizational commitment, therefore H4 is not supported.

The relationship of job satisfaction and organizational commitment is significant with  $\beta=0.7803$  indicating that the job satisfaction has direct positive significant relationship with organizational commitment, therefore H5 is supported.

**The model fit:**

Overall R<sup>2</sup> for Organizational commitment is 0.648 (Fig 2), indicate that the research model explains about 64.8% of variance with the job satisfaction, work family conflict and coworker relationship. Goodness of Fit (GoF) (M Tenenhaus, 2005) was employed to judge the overall fit of the model. Following Table 5 depicts the calculation and the fitness. The model has more than fit, meaning that the model has acceptable predictive relevance.

**Table 5: GOF**

	R Square	Communality	Redundancy
CR	0	0.7065	0
JS	0.2419	0.7823	0.1651
OC	0.648	0.6387	0.006
WFC	0	0.7407	0
Average	0.222475	0.71705	
Gof = SQRT ( ave R <sup>2</sup> x ave communality)			
Gof	0.399407		

The value for the GoF of 0.35, 0.50 and 0.61 shows that the model is fit, moderate and big respectively (Ghozali, 2013)

**3. DISCUSSION**

The inclusion of Coworker relationship and work family conflict has explained 24.2% of the

variance in Job satisfaction (R<sup>2</sup> of Job satisfaction). That means, there are other exogenous factors contributing to the job satisfaction. Also, the coworker relationship, work-family conflict and the job satisfaction together has explained 64.8% of variance in Organizational commitment that once again explains the involvement of exogenous factors apart from the selected variables in the study.

This study confirms that coworker relationship, work family conflict does not act as important predictors of job satisfaction and organizational commitment. Although job satisfaction to some extent act as the important predictor of organizational commitment. The study posits that overall level of coworker relationship, job satisfaction and organizational commitment is higher and work family conflict is lower with the employees. This shows that there exist a cordial and friendly colleague relationship, people could manage their work-time and family-time effectively and the work does not interfere in their family timings, employees have considerably high job satisfaction and organizational commitment. The human resource managers of the public sector general insurance companies have to take necessary action plans to impart a friendly environment, more specified job descriptions that can reduce the work stress and role ambiguity, motivational programs akin with private sector to boost job satisfaction. By working to improve the other facets of job satisfactions like work supervision, pay structure, promotions, etc by the human resource department can achieve greater employees' organizational commitment.

#### 4. REFERENCES

1. Armstrong, M. (2010). *Armstrong's Handbook of Human Resource Management Practice*. Philadelphia: Kogan Page, London and Philadelphia.
2. Balzer W K, J. A. (1997). *User's Manual for the Job Descriptive Index (JDI) and the job in general (JIG) scales*. Bowling green: OH: Department of Psychology, Bowling green State University.
3. Carayon P, S. M. (1999). work organisation, job stress, and work-related musculoskeletal disorders. *Human factors*, vol 41(4), 644-663.
4. Chin, W. &. (1999). *Structural Equation Modeling analysis with Small Samples Using Partial Least Squares*. In Rick Hoyle (Ed.),. Thousand Oaks, CA: Sage: Sage Publications, pp. 307-341.
5. Chun-Chang Lee, S.-H. H.-Y. (2013). A Study on factors affecting turnover intention of Hotel employees. *Asian Economic and Financial review*, 2(7), 866-875.
6. Cohen, J. (1992). A power Primer. *Psychological Bulletin*, 112(1), 155-159.
7. Dunham R B, G. J. (1994). Organizational commitment: the utility of an integrative definition. *Journal of Applied Psychology*, vol 79(3)370-380.
8. Ghazali, H. L. (2013). *Partial Least Squares: concept and application path modelling using Program XLSTAT-PLS*. Semarang: Badan Penerbit Universitas Diponegoro.
9. Greenhaus J.H, B. N. (1985). Sources of conflict between work and family roles. *Academy of management review*, 10(1) 76-88.
10. Hair J R, S. M. (2012). An assessment of the use of Partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing science*, 40 (3) 414-433.
11. Jackson S E, S. R. (1985). A meta-analysis and conceptual critique of research on role ambiguity and role conflict in work settings. *Organizational Behaviour and Human Decision Processes*, vol 36(1), 16-78.
12. Lacity C M, I. V. (2008). Turnover intentions of Indian IT professionals. *Information system front*, Vol 10(2), 225-241.
13. Larcker, C. F. (1981). Evaluating Structural equation models with unobservable variables and measurement error. *Journal of Marketing research*, 18(1), 39-50.
14. M Tenenhaus, V. E. (2005). PLS path modelling. *computational statistics and Data Analysis*, 48(1), 159-205.
15. Meyer, R. T. (1993). Job satisfaction, organisational commitment, turnover intention and turnover: Path analysis based meta-analytic findings. *Personality Psychology*, 46(2), 259-294.
16. Mowday R, P. L. (1982). *Employee-organization Linkages: the psychology of commitment absenteeism and turnover*. London: Academic Press.
17. Mueller CW, B. E. (1994). Employee attachment and noncoercive conditions of work. *Work and occupations*, 21(2), 179-212.



18. R, H. (1935). *Job satisfaction*. New york: Harper.
19. Rizzo J R, H. R. (1970). Role conflict and ambiguity in complex organisations. *Administrative Science Quarterly*, vil 27 (3) 227-248.
20. Spector, E. (Industrial and Organizational Psychology Resaerch and Practice,1996). *Feelings about work: Job attitudes and emotions*. USA: John Wiley and Sons Inc.