CHAPTER I

Introduction

It has been accepted by business, academia and practitioners that one of the indispensable resources of any organization is its human resource. The quality of manpower inventory of an organization is the source of value-addition for the system. Today, manpower is regarded as a capital investment of an organization and the return on such capital is considered as their performance which adds to the competitive edge of the organization. Thus measuring the performance of employees is a critical exercise because this acts as a yardstick to differentiate star performers from average performers which carries both short term and long term reward and recognition implications for managerial decision-making. The process of performance measurement differs inter and intra industry in all sectors depending on the nature of performance expected from its people.

Among the three major industrial sectors in India, primary sector (constituting mining and farming), secondary sector (including manufacturing), the tertiary sector which deals with services, accounts for 57.2 per cent of the country’s Gross Domestic Product (GDP) and employs around 34 per cent of the total workforce. The uniqueness of the service industry is embodied in the fact that ‘personal service’ or the ‘human touch’ overrides any other activity of this industry. Thus people employed in this industry are the main pillars who can contribute and add-value to the business. The knowledge, skills and abilities (KSA) required by the personnel in the service industry are depicted in the following figure (Figure 1.1):
The social skills element in the competency profile given in Figure 1.1 may be converged with Goleman’s theory on emotional intelligence. Goleman (1999) in his five components of emotional intelligence defined social skills as the expertise to manage relationships, build networks, persuade and lead change. This study collaborates Goleman into the research work of performance determining variables and identifies emotional intelligence as one of the areas of study as an influencer to performance. Similarly, personal characteristics may be referred to as personality traits of an individual and thus the researchers posit personality to be another significant influencer of performance.
The study has chosen the insurance sector for analyzing the performance of the employees and diagnosing the psychological characteristics that may drive performance variations. The insurance sector is an integral part of the services industry. It is also a known fact that the sector deals with intangible products. The understanding of the fact that the industry does not deal with tangible products has triggered manifold discussion within the researchers’ community to define ‘services’. Kotler (1990) has defined services as, “Any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product”. Hence, ‘personal service’ plays a significant role in this sector. Further, evidences of the upward movement of the growth curve of this sector generate interest amongst the researchers to delve deep into the people who are the key players in driving the industry. The people referred to here, are the insurance advisors who lead from the front and create revenue for the sector. In this highly competitive environment, their performance is definitely driven by some innate traits which may be identified and studied. Figure 1.1 cites that one of the key competencies required in performance, in this case, that of the insurance advisors, are social skills and personal characteristics. As mentioned earlier, these competencies were translated into constructs of emotional intelligence and personality, for the purpose of this study.

The Indian insurance industry has a deep-rooted history which has its evidences from the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasatra) and Kautilya (Arthasastra). In ancient India, there was the custom of pooling of resources which were redistributed in times of calamities such as fire, floods,
epidemics and famine. Insurance has evolved in India, over time and has also been drawn heavily from other countries, particularly, England (History of Insurance in India, 2007).

The Indian insurance industry, till a few decades back concentrated on life insurance and was ruled by the state controlled LICI. Presently, the Indian insurance industry is flourishing with several national and international players competing in the open market. The insurance industry, today, is one of the booming industries of the economy and is growing at an impressive pace. Numerous multinational companies have joined the field, few top companies being ICICI Prudential, Om Kotak Mahindra, Birla Sun Life, Tata AIF Life, Reliance, HDFC Standard Life Insurance Company, Max New York Life, SBI Life Insurance, ING Vysa Life etc. Now both the state organizations and these companies operate under the Insurance Regulatory and Development Authority (IRDA)\(^1\) which has been set up to regulate uniform growth of the industry.

With the set-up of IRDA and the entry of private players in the insurance industry, the life insurance sector has experienced a remarkable change. Currently, the life insurance sector in India is the biggest in the world with about 36 crore policies. This is expected to grow at a compound annual growth rate (CAGR) of 12-15 per cent in the next five years (Business Standard, 2013).

The massive change witnessed in the life insurance sector, from a monopoly market dominated by LICI to a competitive market followed by the phenomenal growth of

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\(^1\) Insurance Regulatory And Development Authority (IRDA) was set up as an autonomous body under the IRDA Act, 1999 "to protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto". (Insurance Regulatory and Development Authority of India, 2013)
the industry is certainly attributed to the performance of the people of the industry. So the research work has decided to focus on the performance of advisors in the life insurance sector to trace the impetus of its growth.

After an extensive study of the available literature, it was inferred that there is a gap in the area of study of the combined effect of emotional intelligence and personality on performance, with special reference to insurance advisors. Thus the research issue was framed to study the impact of emotional intelligence and personality on the performance of the life insurance advisors, with a special focus on performance in the public and private sectors.

The methodology adopted for the study was a questionnaire-based survey on both public and private sector life insurance advisors of the Kolkata region. Since, the issue deals with emotional intelligence and personality, a primary field survey of respondents has been felt necessary. However, the sample is chosen from available secondary record of the Insurance Regulatory and Development Authority (IRDA).

The analysis for the present study has been carried out based on 200 complete responses received from public and private life insurance companies. Of these 109 responses are from the employees of Life Insurance Corporation of India and 91 are from selected private life insurance companies. The EQ Map Questionnaire (Cooper & Sawaf, 1997) and the Big Five Model of personality questionnaire, adapted from Managing Self – Assessing the Big Five: The Big Five Locator Questionnaire (Hellriegel, Slocum and Woodman, South-Western, 2001) have been administered to collect data. The performance of the 200 respondents have been categorized into 5 distinct levels namely, Level 1 (Needs Improvement), Level 2 (Fair), Level 3
(Good), Level 4 (Very Good) and Level 5 (Excellent), wherein Level 1 is at the bottom of the performance order and Level 5 indicates the best performers. These levels have been designed based on the given business targets, for a particular financial year, 2010-2011. The data collected have been analyzed using standardized statistical techniques with the help of statistical software.

In the chapters that follow, a theoretical framework has been developed in chapter two to establish the primary issue of performance management system (PMS) which has been elaborated to include emotional intelligence and personality which may influence performance of employees in the service sector. Thereafter, chapter three contains extensive survey of literature which has led to the research gap and development of the research issue. The sample design has been documented in chapter four. Thereafter, chapters five give the details of the sample and the association of the respondents with influencers of performance. Chapter six attempted a binary logistic regression to assess the impact of demography, emotional intelligence and personality, on three subsets of the sample, on performance to identify the level-wise performance drivers. Extending this further a multinomial logistic regression has been conducted to estimate the impact of demography, emotional intelligence and personality on performance to capture a change in performance across categories which is typical in the insurance sector. Chapter seven describes the comparative analysis of the public and private sector insurance advisors. In the final chapter the thesis submits the conclusions and recommendations of the study, followed by managerial implications and of course the limitation of the study. This research is an attempt to recommend a policy
prescription for the human resource section of the insurance company, so that the suggestion contained bearing will help to improve performance among emotionally balanced employees in the life insurance sector in India.