CHAPTER III
Survey of Literature

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3.1 Performance Management System

Performance management (PM) is a broad term coined by Dr. Aubrey Daniels in the late 1970s to describe a technology (i.e. science imbedded in applications methods) for managing behavior and results (Daniels & Bailey, 2014). Thus performance management encompasses both performance appraisal and employee development. This is known as the Performance Management System or PMS. A typical process of performance management is explained in the following Figure 3.1:

![Diagram of Performance Management Process]

**Figure 3.1: Schematic Diagram of a Typical Performance Management Process**  
*Source:* (Pulakos, 2004)
Figure 3.1 depicts five distinct phases in the performance management system. The first phase is the performance planning stage where employee competency is reviewed and the organization attempts to establish a fit between the employee potential and the job requirements. High-performing organizations ensure complete transparency in the system so that the employees understand the match between their respective behavioural standards and its match with their specific jobs. Thus literature study leads to the conceptual development of the first hypothesis as mentioned below:

**Hypothesis 1: Performance is associated with the competency of individuals**

The second phase deals with the continuous feedback system of the organization on the behavioural and results expectations of each individual employee in the organization. This reinforces the fact that performance is dependent on the behavioural attributes of individuals. Thus the underlying concept, as mentioned in Hypothesis 1, is further strengthened. The third phase explains an alternative way of collecting feedback from employees with reference to the work and job behaviours. Herein, the organization has an opportunity to delve into the specific behavioural traits of an employee which directly impacts the job. Thus the individual competency related to performance can be identified and studied in details. This further emphasizes hypothesis 1. The fourth phase deals with performance evaluation. Present day organizations evaluate not only performance outcomes but behaviours leading to these expected outcomes. So performance evaluation has evolved into a technique of measuring individual performance results and mapping it with the behavioural competencies. Thus competency models are designed comprising the knowledge, skills, abilities and other
critical behaviours that are considered to be the most significant for achieving the expected organizational outcomes (Figure 3.2):

![Figure 3.2: Critical Job Behaviours of a Typical Competency Model](image)

Source: Adapted from (Pulakos, 2004)

PMS explicitly identifies job behaviours which are important for the achievement of organizational objectives. The competencies of a particular job vary depending on the difficulty to perform in the job at different levels. Similarly the competencies also vary in their significance depending on the kind of job. Thus designing a competency framework in terms of behavioural performance standards help employees to understand what is expected of them and also the organization has a uniform standard of evaluating employees in terms of job behaviours. This ensures a transparency in the
performance management system. Herein, the literature review leads to the framing of the second hypothesis which is as follows:

**Hypothesis 2: Performance is associated with job behaviours of individuals**

The fifth and the final phase is the performance review stage wherein the managers and employees sit together to discuss about the developmental activities. Thus to effectively implement a PMS, an organization should first take initiative to plan and design a framework which not only identifies set goals but also identifies behavioural standards required to achieve the goals. At the performance evaluation and review stage these standards of behaviour facilitates to design a constructive behavioural feedback which would help the organization and employee to identify and address the development needs. Thus the study of literature on PMS has helped the researchers to identify and understand the significance of individual competency, namely job-related behaviours, and its relation with performance. Past research suggests that supervisors generally evaluate the following job-related behaviours at the workplace e.g. work habits, work attitudes and social skills. Work habits comprise of the rules and regulations at the workplace e.g. attendance, managing resources and maintaining dress code. Work attitudes comprise of a candidate's interest in the job e.g. completing the job on time, taking initiative and being open to feedback. Finally, social skills are maintaining self-control of emotions, reflecting courteous behaviour to others, working in a team, accepting criticism, responsibility and accountability for the work. Thus, as discussed in Chapter II, it may be stated that individual or personal competencies are vital because an individual’s social skills and personal characteristics are key to drive successful work
performance. However, the significance of these competencies varies depending on the nature of the job.

As discussed in the earlier chapter, this research work is developed on the service industry, with a focus on the life insurance industry. The commonly cited competencies in the service industry are achievement-orientation, analytical ability, communications skills (oral & written), creativity, decision-making skills, diversity orientation, flexibility, initiative, interpersonal skills, job motivation, judgement, leadership, management skills, persuasiveness, planning and organizing skills, presentation skills, problem-solving skills, team building/team work and time management. These competencies may be defined as individual behavioural traits and or personal characteristics, which if an individual possesses may be successful in the job performance (Figure 3.3).

![Figure 3.3: Relationship between Job-Related Competencies and Job Performance](image)

*Source: Developing Dimension/Competency-Based Human Resource systems by William C. Byham (1996)*

Hence, from the above, hypotheses 1 and 2 are further strengthened and the research may proceed to the formulation of the third hypothesis which is as follows:

**Hypothesis 3: Performance is associated with the personal competencies**
3.2 Variables Influencing Performance

As the present research focuses on frontline sales people, so the study further proceeds to understand the individual factors which may play a determining role in enhancing the performance of frontline sales executives. Since decades, researchers have been intrigued to determine the variables that affect sales performance (Churchill et al. 1985).

In this regard, several variables were reviewed e.g. salesperson’s physical characteristics, such as height, weight, attractiveness, and age; personality characteristics, including gregariousness, extroversion/introversion, self/other orientation; and other miscellaneous characteristics, such as intelligence, similarity to buyers, education, and so on (Rozell, Pettijohn, & Parker, 2006).

In this background, the present research work was trying to discern the critical drivers of performance in the frontline sales job. The present economy of India is a knowledge-driven economy. Here the natures of jobs are also changing. The jobs are dominantly service-oriented and the employees are termed as 'knowledge workers'. Drucker (1959) coined the term “knowledge worker” as one who works primarily with information or develops and uses knowledge in the workplace. Knowledge is always valued as the source of definite competitive advantage in a changing environment where markets are shifting, technologies are proliferating, competitors are multiplying and products are becoming obsolete overnight. Knowledge jobs have been defined as jobs that identify capabilities rather than tasks or activities performed. Similarly, competencies can be defined as abilities of being able to perform tasks. Knowledge jobs require high levels of creativity, judgment, tolerance of ambiguity and describing the jobs of knowledge workers may be best accomplished through specific competency models for specific
jobs (Lam, 2000; Nonaka, 1998). A Harvard Business Review survey of Chief Sales Officers (CSOs) concluded that 85% of companies report increases in their product-line breadth, product complexity, and participation in new markets (Trailer & Dickie, 2006). The changing profile of customers has led to the change in the art and science of selling. Few years ago, success in sales was highly governed by the strength of personal relationships. This relationship-based approach to selling defined a particular generation of salespeople. Today knowledge (fact-based selling) is essential but not adequate. During the 1990s, the art of selling experienced new trends when most sellers repositioned and repackaged their products into “solutions,” and raised the expectations of the customers. The 1980s were generally a seller’s market, but since 1990s a salesperson was no longer able to maintain levels of successful performance by simply building relationships, describing features and benefits and talk about solutions. Today, for a customer, each purchase has to meaningfully improve his business and provide return on investment (ROI). A customer expects that buying must accelerate his company’s success in achieving its goals and so the salesperson has to become an expert business consultant rather than being just a simple seller. As the sales landscape changes, new generation of sales professionals, sales managers and sales leaders are emerging. Innovations in how suppliers and customers interact have brought about significant changes in the way today sales forces are structured, compensated, developed and evaluated. New models of selling demand changing skills sets, a better understanding of the customers’ business and the ability to work collaboratively to solve business problems rather than just sell products (Cron & DeCarlo, 2009; Hodge & Schachter, 2006; Page, 2002). The number of competitors in the marketplace has grown
exponentially over the past two decades due to globalization of markets, diminutive product life-cycles and propagation of market boundaries. This has resulted in customers purchasing from few chosen suppliers thus increasing expectations and power (Cron & DeCarlo, 2009; Hodge & Schachter, 2006). Traditionally, a salesperson’s main challenge was to differentiate the features of products from those of the competitive products. Now with shifting customer expectations, the sales force had to understand the issues the customer may face in implementing the products purchased. This triggered the solutions selling business. For most products there were distinct implementation issues, the best salesperson mastered a territory. Creating and sustaining a high-performance sales culture is essential in achieving success in today’s highly competitive and global business economy. The changing marketplace has eclipsed the traditional or transactional selling model with solutions selling (Table 3.1) (Cron & DeCarlo, 2009; Eades, 2004; Hodge & Schachter, 2006).
Table 3.1: Contrasting Transactional and Solutions Selling Model

<table>
<thead>
<tr>
<th>Transaction Selling Model</th>
<th>Solutions Selling Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling skills</td>
<td>General business skills</td>
</tr>
<tr>
<td>Responsive to customer needs</td>
<td>Engages customer as a collaborative partner</td>
</tr>
<tr>
<td>Selling, product, price and service</td>
<td>Selling customer solutions</td>
</tr>
<tr>
<td>Differentiation through products</td>
<td>Differentiation through people</td>
</tr>
<tr>
<td>Sales revenue focus</td>
<td>Customer lifetime value</td>
</tr>
<tr>
<td>Buyer seller relationship</td>
<td>Trusted business advisor</td>
</tr>
</tbody>
</table>

Source: Cron and DeCarlo (2009)

Table 3.1 highlights the fact that over decades the concept of selling has evolved from transactional model to solutions model. Research indicates that in transactional selling, the business needs are aligned with the customer needs, while in solution selling the salesperson has to add value during the sales process by developing an understanding of
the needs and challenges faced by the customer and creating a solution for the same. Thus the present sales acumen is focused on listening and understanding a customer rather than just communicating the product features.

As discussed earlier in Chapter II, the Iceberg Model, (Figure 2.1), refers to the visible and hidden competencies of an individual. The visible competencies are the technical competency often referred to as the fact that whether an individual is qualified to perform in a job whereas the hidden competencies actually indicate whether an individual is in the condition or state of being competent. Thus hidden competencies actually play a significant role in driving the visible competencies which show an impact on the performance of individuals. Some of the hidden competencies are adaptability, foresight, motivation, commitment, creativity, emotional stability and communication. Thus the hidden competencies can be broadly categorized into social skills and personal characteristics which implies emotional intelligence and personality traits.

Following the competency studies of L. M. Spencer and S. M. Spencer (1993), the research work has conceptualized the study of the impact of emotional intelligence and personality, as significant hidden competencies of an individual which impact performance. Hence in the following sections, the researchers made an extensive study of the literature to understand the concept of emotional intelligence and personality and its relationship with that of performance in the selling profession.
3.2.1 Emotional Intelligence (EI) – Definition and Constructs

The concept of emotional intelligence can be traced back since 1920 with Thorndike’s concept of social intelligence. Wechsler (1940) defined intelligence as ‘the aggregate or global capacity of the individual to act purposefully, to think rationally, and to deal effectively with his environment’. Peter Salovey and John Mayer (1990) first coined the term emotional intelligence and described it as ‘a form of social intelligence that involves the ability to monitor one’s own and others’ feelings and emotions, to discriminate among them, and to use this information to guide one’s thinking and action’. Gardner (1993) came up with the concept of ‘multiple intelligence’ and proposed two very important concepts – ‘intrapersonal’ and ‘interpersonal’ intelligences. After this Mayer and Salovey (1997) further elaborated that emotional intelligence was ‘the ability to perceive emotions, to access and generate emotions so as to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth’. Emotional intelligence is made up of five elements that are the building blocks of emotional competency. The five elements include: self-awareness, self-regulation, motivation, empathy, and adeptness in relationships. Emotional intelligence and emotional competence are related to one another but is not the same thing. Goleman (1998) defined emotional intelligence as ‘the capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships. Empirical research on emotional intelligence has focused on two major aspects of emotional intelligence: one avenue of research has been awareness of one's own feelings (e.g., Barrett, Lane, Sechrest & Swartz, 2000) and the second is to
study the effect of being in a negative or positive feeling state on future judgements (e.g., Gilbert, Pinel, Wilson, Blumberg & Wheatley, 1998). It is important to assess salespeople's ability to accurately assume their clients' emotions (Weiner, 1986) and also their openness to the recognition of how they themselves are feeling. According to (Webb, 2009) a considerable body of research suggests that the key to success lies in a person's ability to perceive, identify and manage emotion. These abilities form the basis for the emotional and social competencies that are important for success in almost any job. Also Lam and Kirby (2002) in their article suggested that from previous studies it can be said that the overall quality of work-life can be enhanced by increasing emotional intelligence and also it contributes significantly towards the career growth of an individual. Goleman (1998) further suggested that these competencies facilitate salespeople to build strong and profitable customer relationships. Bar-On (1997) explained that ‘emotional intelligence reflects one’s ability to deal with daily environment challenges and helps predict one’s success in life, including professional and personal pursuits’ (Bhattacharya & Sengupta, 2007). According to Slaski and Cartwright (2003) employees, who have the ability to perceive, understand and regulate emotion in self and also in others and who also have the ability to use emotion to facilitate thoughts and actions, are able to achieve high performance in their job and triumph over any challenge related to work. Goleman (1998) stated that an emotional competency is a learned capability based on emotional intelligence that results in outstanding performance at work. Hence, emotional intelligence is a pre-requisite for employees who are required to manage their emotions and display organizationally
desired emotions which satisfies the customers and facilitates to drive the organization’s productivity.

A number of studies have established the importance of emotional intelligence in work performance (Abraham, 2004, Austin, 2004, Carmeli, 2003, Gabriel & Griffiths, 2002, Higgs, 2004, Law, Wong and Song, 2004, Lyons & Schneider, 2005, Sy, Tram, & O’Hara, 2006, and Varca, 2004) as well as in service (Bardzil & Slaski, 2003, Kernbach & Schutte, 2005, Sojka & Deeter-Schmeiz, 2002). High emotional intelligence may lead to personal and professional success which has generated a great deal of excitement among the managers, academicians and consultants. Researchers claim that increasing emotional intelligence can do a lot from improving the quality of work life to enhancing success in career (Lam & Kirby, 2002). As one of the best known supporters of the importance of emotional intelligence has stated, “Emotional intelligence gives you a competitive edge. . . . Having great intellectual abilities may make you a superb fiscal analyst or legal scholar, but a highly developed emotional intelligence will make you a candidate for CEO or a brilliant trial lawyer” (Goleman, 1997). Bommer, Johnson, Rich, Podsakoff & MacKenzie (1995) observed that job performance is the most extensively researched criterion variable in both the organizational behavior and the human resource management literatures. Traditionally, performance has been conceptualized in terms of the execution and completion of well-defined tasks (Bommer et al., 1995; Borman & Motowidlo, 1993). Ashforth and Humphrey (1995) argued that emotions are an integral and inseparable part of organizational life and more attention should be given to the employee’s emotional experience. Linking EI with performance may help to clarify a controversy in respect to the relative contributions of personality
and EI to employee performance and provide organizations with a valid alternative for selecting and assessing employees. Past research states that the characteristics like emotional intelligence skills and personality attributes play a vital role in a selling job (Webb, 2009, Lam & Kirby, 2002).

3.2.2 Emotional Intelligence and Performance in Service Sector

Service sector personnel, with special reference to the frontline employees face huge challenges at their job which are to meet sales targets within deadlines, understand customer needs and deliver services accordingly and develop new customers and maintain the existing ones (Mascio, 2010). This suggests that attitude, behaviour and personality of the employees play a major role in driving the business of the service sector. Thus psychological factors impact a performance more than the core product knowledge. For the front-line employees a clear understanding of customer service is critical as it impacts how they carry out their work; but because this understanding is unstructured and abstract, it may lead to different interpretation (Mascio, 2010). The prevalence of the service industry has brought in many changes in the way organizations take decisions. The focus is now on the human aspects of an organization. This highlights the fact that why researchers world-wide are trying to look at the various human factors that may drive and or sustain an organization. Amongst the various factors that have drawn interest of the researchers over a period of time the impact of emotional intelligence and personality on job performance has been studied on various target groups. Employee performance at work has always been an interest area of research, as this acts as the guide for many other significant decisions of the
organization e.g. manpower planning, talent acquisition, development, retention and performance management. Performance being a dependent variable, researchers have explored and identified many independent variables which have an impact on performance.

As proposed by Salovey & Mayer (1990), Goleman (1995) and Bar-On (1997) emotional intelligence has a link with some personality characteristics e.g. extraversion and openness (Costa & McCrae, 1985). Also through research it has been proved that extraversion and neuroticism are strongly related with emotional experience (Costa & McCrae, 1995; Canli, Zhao, Kang, & Gross, 2001). The frontline sales personnel are critical for the success of a service organization and in order to gain competitive advantage, quality people are needed but attracting and retaining these people is a challenge. As stated earlier, the new age salesperson is an advisor to the customer instead of being just a seller. Thus he needs to understand the requirements of the customer, his state-of-mind and then provide the appropriate service. (Krishnamurthy, et al., 2005). Research suggests that in selling jobs like that of the insurance advisors where one is selling ‘security’, it requires emotional intelligence skills (understanding and managing emotions) in order to develop customer confidence, concern and a nurturing relationship (Othman, Abdullah, & Ahmad, 2008). In general the reason for purchasing life insurance by a client lies in the fact that he/she fulfills his/her emotional obligations towards the family. To make this happen successfully the personnel’s objective is to build a trusting relationship with the client and get an insight into his commitments. It is evident that to be successful in an arrangement with the customer, the advisor should possess high
emotional intelligence skills as research has proved that increased emotional intelligence scores are associated with increased performance among executives working in various sectors (Mishra & Mohapatra, 2010). Hence, it is not only important to assess salespeople's ability to accurately gauge the clients' (customers, supervisors and support-staff members) emotional state (Weiner 1986) — but also their openness to the recognition of their own feelings. Hence, a factor that is often described as being a critical determinant for sales success is empathy—the ability to understand the words and feelings of another. Understanding customers is a critical factor in sales performance, as better the understanding, more is the salesperson’s ability to adapt and optimize the advantages of a sales position. Finally, a sale is often a very “social” activity (Rozell, Pettijohn, & Parker, 2006). Hence, it is moderately established that emotional intelligence influences performance which is enunciated in hypothesis 4.

**Hypothesis 4: Performance is associated with emotional intelligence**

However, emotional intelligence has a number of components, as explained in the next chapter. Also in Chapter VI, to conduct analysis of the data, the study may be disaggregated to observe which of the components has a significant influence on performance

Further, with reference to the Iceberg Model, it is evident that emotional intelligence alone may not explain variation in performance. Thus the research work further delves into the study of personality and its association with performance.
3.2.3 Personality – Definition and Constructs

In addition to emotional intelligence, personality characteristics may also act as important sources of guidance and support for predicting success in jobs (Kerr and Jermier 1978). For a successful salesperson, closing a sale is the ultimate means of persuasion and this provides enormous satisfaction whereas dissatisfaction is brought in through failure. One of the indicators of salesperson’s performance is the degree to which salespeople can successfully influence customers. Plotkin (1987) stated that the best salespeople are not talkative but they enjoy and want to be with people. Personality is found to be a determining factor governing employee performance. Personality plays a significant role especially for executives in the service sector where the job demands that they have to be sensitive to understand the needs of the customer as they have to deal with the intangible products. According to Schneider (1987), "the people make the place". Personality holds utility as a predictor of job performance, specifically the conscientiousness dimension (Behling, 1998). Motowidlo and Van Scotter (1994) and Van Scotter and Motowidlo (1996) explained that personality specifically, extraversion and agreeableness were strongly related to interpersonal skills. Hurtz and Donovan (2000) found that emotional stability and agreeableness were also significant predictors of interpersonal abilities. Barrick and Mount (2005) conclude, “Research, based on a construct-oriented approach primarily using the ‘Big Five’ traits, has consistently shown that personality predicts job performance across a wide variety of outcomes” (Judge & Erez, 2007). Personality is defined as the way a person thinks, feels and behaves and that makes a person unique. Personality strongly influences the behaviors and actions of individuals i.e. the way a
person responds to situations. Past research suggests that, earlier to the liberalisation period, personality was not viewed as a predictor of job performance (Ghiselli, 1973; Guion & Gottier, 1965; Locke & Huh, 1962; Reilly & Chao, 1982; Schmitt, Gooding, Noe, & Kirsch, 1984). Consequently, researchers had difficulty to determine the relationships between the personality constructs and performance criteria in different occupations. Then the researchers came up with the five robust factors of personality (Digman, 1990).

**The Big Five Model of Personality**

The initiation of the 5-Factor Model of personality McDougall (1932) wrote that, “Personality may to advantage be broadly analyzed into five distinguishable but separate factors, namely intellect, character, temperament, disposition, and temper..”. Then Cattell (1943, 1946, 1947, and 1948) developed a personality model consisting of 16 factors. A significant study by Norman (1963) suggested the following labels of personality viz. Extraversion, Emotional Stability, Agreeableness, Conscientiousness and Culture. These have been referred in the past research work as “Norman’s Big Five” or as the “Big Five.” Following this, literature provides a powerful evidence for the 5-factor model (Goldberg, 1981). This study utilizes Barrick and Mount's (1991) Big Five factors of personality as the theoretical bases for the constructs of personality. Barrick and Mount's (1991) Big Five factors represent a widely accepted approach to conceptualizing personality. The Big Five factors consist of an individual's openness to experience (proactive seeking, toleration for and exploration of the unfamiliar), conscientiousness (thorough approach, hard-working, organized), extraversion or sociability (the need for stimulation, desire for activity levels with
interpersonal interaction), agreeableness (cooperative nature, likeability), and emotional stability or adjustment (calm and secure, low in anxiety).

In several past studies, the five-factor model has provided a comprehensive theoretical framework to systematically examine the relationship between specific personality traits and job performance. Most meta-analyses have suggested that two of the FFM, conscientiousness and emotional stability are positively correlated with job performance in virtually all jobs (Anderson and Viswesvaran 1998; Barrick and Mount 1991; Salgado 1997; Tett et al. 1991). Of these two traits, most meta-analyses have suggested that conscientiousness is somewhat more strongly related to overall job performance than is emotional stability. Therefore, employees with high scores on conscientiousness should also obtain higher performance at work. Thus, we expect that conscientiousness and emotional stability will be positively related to overall performance across jobs. These two personality dimensions are also expected to be related to some specific dimensions of performance. First, both conscientiousness and emotional stability are expected to influence success in teamwork (Hough 1992; Mount, Barrick and Stewart 1998). Research work in this field inferred that jobs involving considerable interpersonal interaction, being more dependable, persistent and hard working (high in conscientiousness), as well as being calm, secure and not depressed or hostile (high in emotional stability), should result in more effective interactions with co-workers or customers. The other FFM dimension, for example, extraversion has been found to be related to job performance in occupations where interactions with others are a significant portion of the job (Barrick and Mount 1991; Mount et al. 1998). In such jobs, such as sales and management, being sociable, gregarious, assertive, energetic and
ambitious is likely to contribute to success on the job. Thus it was inferred that extraversion is positively related to performance in jobs. Extraversion includes an important interpersonal component, especially for those involved in mentoring, leading, persuading such as management and sales positions and that extraverted employees will receive higher ratings on teamwork and be more successful in training (Murray R. Barrick, 2001). Further to this, it was also found that the final two dimensions, agreeableness and openness to experience, are generally expected to have weak relationships with overall job performance. The one situation in which agreeableness appears to have high predictive validity is in jobs that involve considerable interpersonal interaction, particularly when the interaction involves helping, cooperating and nurturing others. In fact, in those settings, agreeableness may be the single best personality predictor (Barrick, Stewart, Neubert and Mount 1998; Mount et al. 1998). Openness to experience is the one criterion that has consistently been associated with learning (Barrick and Mount 1991; Salgado 1997). These employees are willing to engage in learning experiences.

Salgado (2003) found that, of the Big Five dimensions, conscientiousness was the strongest predictor of job performance. Judge and Hies (2002) also found that conscientiousness was a strong and consistent predictor of performance motivation. Conscientious individuals show positive traits of being decisive, enjoy autonomy in setting their goals, have greater ability to cope with time management issues and stress and generally strive for continuous performance improvement (Judge and Hies, 2002; Thoreson et al., 2004). Conscientiousness has been shown in individual studies to predict performance in such diverse settings as student GPA (Nguyen et al., 2005), sales
outcomes (Thoresen et al., 2004) and performance in manufacturing teams (Morgeson et al. 2005).

The relationship between the personality dimension of agreeableness and performance has also received some recent support. Agreeableness may lead to enhanced customer contact and interactions and improved relationships and communication with managers. Agreeable employees may be viewed as more trustworthy and as possessing higher levels of integrity and this may assist in building customer relationships (Costa and McCrae, 1995; Sackett and DeVore, 2001). Extraversion, characterized by personalities with a need for externally-oriented tasks was found to be the most important influencer of job performance of all the Big Five personality dimensions in a study of managers from both the United States and Japan (Robie et al, 2005). Assertiveness, positive emotions and social behaviour among extraverted employees impact performance outcomes. Openness to experience has been described as an employee's desire to "think outside the box" or adapt in a continuously evolving work environment (Burke and Witt, 2002). It appears that the research on the openness to experience and performance relationship has reinforced the idea of dynamic work environments in which learning and adaptation are required and this tend to enhance the openness-performance link. Bing and Lounsbury (2000) found that openness predicted variance in job performance much more than all the other dimensions of Big Five. People with high levels of neuroticism are generally insecure and anxious and so these traits donot facilitate effective job performance Barrick and Mount (1991).
3.2.4 Personality and Performance in Service Sector

Past studies suggest that, both conscientiousness and adjustment capabilities do influence success in teamwork (Hough 1992; Mount, Barrick and Stewart 1998). Jobs which involve considerable interpersonal interaction, require people who are high in conscientiousness and who are calm and high on adjustment. These people can result in more effective interactions with colleagues and or customers. In sales jobs, being sociable, gregarious and assertive is likely to contribute more to the success of the job. Agreeableness, i.e., being warm and trusting may be a useful predictor of service orientation and teamwork whereas sociability and openness to experience may be related to training expertise (Barrick, Mount, & Judge, 2001). Research has proved that success in sales demands an ability to judge the mood of the client and the emotional skill to decide when to promote the product. There are also evidences in research that professions that require interacting with people, working in teams or having informal relationships need a higher degree of emotional intelligence and certain specific personality attributes. The dynamic workplace scenario with huge technological transformation and intense competition places high-demands on sales personnel. In the current scenario, in the profession of consultative sales, salespeople must understand the needs of the customer to provide them with effective solutions to satisfy those needs. These solutions often are in the form of product offerings suggested by the salesperson based on his or her professional experience and expertise. To be effective in this role, salespeople must embrace an approach where they should try to understand the client needs with empathy while interacting with the clients. In contrast, the use of avoidance i.e. not to face difficult client interactions
likely will lead to reductions in productivity. Thus the study of literature leads to the development of hypothesis 5 which is as follows:

**Hypothesis 5: Performance is associated with personality**

As discussed in the next chapter, personality too has a number of components. Thus in Chapter VI, the study may be disaggregated to observe which of the components of personality has a significant influence on performance.

The study of emotional intelligence and personality from the literature suggests that in the current scenario of knowledge driven economy rather than technical competency the jobs emphasize more on personal competency. Thus with special reference to the service-sector, where individuals have to deal with intangible goods, importance is more on human relationship than on anything else. Hence, the focus of our study is now on the service sector employees. Amongst all the industries in the service sector, the insurance industry attracts attention of one and all because of the sea-change in the industry. With liberalization, privatization and globalization, the life insurance industry had undergone a substantial change. The change was initiated by the people of the industry and it continued favourably. The research work continues further to study about the insurance industry in India, in order to understand the dynamics of this industry and the competency required to match the requirements of the job and perform successfully in this industry.
3.3 Insurance Sector in India

The History of the Insurance Sector

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era, yet its beginnings date back almost 6000 years.

As mentioned in the introduction chapter, in India, the history of insurance is deep-rooted as it finds its mention in the writings of Manu (Manusmriti), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). Ancient Indian history has also preserved the earliest traces of insurance in the form of marine trade loans and carriers’ contracts.

Insurance in India has evolved over time. It has drawn reference from various countries, with England in particular (History of Insurance in India, 2007).

The Journey of the Insurance Sector – Pre to Post Independence

Life Insurance in its modern form came to India from England in the year 1818. The first life insurance company in India was the Oriental Life Insurance Company set up in Calcutta with the objective of looking after the needs of only the European community. Subsequently some more insurance companies were established but none of these were covering the requirements of the Indians. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. This situation triggered the need of a life
insurance company which would take the Indians into its folds. Thus the first Indian life insurance company was born in 1870 named the Bombay Mutual Life Assurance Society. It was the first Indian enterprise with highly patriotic motives and started covering Indian lives at normal rates. Thus the message of insurance as a social security measure started spreading awareness to various sections of the society (History of Insurance in India, 2007).

The Swadeshi movement of 1905-1907 marked the rise to more insurance companies, namely, The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore. The Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. Some more Indian insurance companies came into existence during this period, like The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life). With the proliferation of Indian insurance companies, the need to regulate the operations became necessary and thus in the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage. The first two decades of the twentieth century witnessed a growth in insurance business from 44 companies with total business-in-force as Rs.22.44 crore to 176 companies with total business-in-force as Rs.298 crore in 1938. The Insurance Act 1938 was the first legislation governing both life insurance and non-life insurance to provide strict state control over insurance business and prevent the
mushrooming of insurance companies which were financially weak. The demand for nationalization of life insurance industry gained momentum in 1944, but much later on the 19th of January, 1956, life insurance in India was nationalized (History of Insurance in India, 2007).

**The Life Insurance Corporation of India (LICI) – Journey from Monopoly to Competition**

The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India (LICI) was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. Together with banking services, insurance services added about 7% to the country’s GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country. The LICI had monopoly till the late 90s when the Insurance sector was reopened to the private sector (History of Insurance in India, 2007).

**The Insurance Sector in its Present Form**

Apart from Life Insurance Corporation of India, there are 23 private sector life insurers. Most of them are joint ventures between Indian groups and global insurance giants. They are namely, SBI Life Insurance, Metlife India Life Insurance, ICICI Prudential Life Insurance, Bajaj Allianz Life, Max New York Life Insurance, Sahara Life Insurance, Tata AIG Life, HDFC Standard Life, Birla Sunlife, Kotak Life Insurance, Aviva Life Insurance, Reliance Life Insurance Company Limited - Formerly known as

Initially, LICI had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LICI took place and large numbers of new branch offices were opened. As a result of re-organisation servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of New Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for LICI to cross 2000.00 crore mark of new business. But with re-organisation happening in the early eighties, by 1985-86 LICI had already crossed 7000.00 crore new policies.

Presently, LICI functions with 2048 fully computerized branch offices, 109 divisional offices, 8 zonal offices, 992 satellite offices and the corporate office. LICI’s Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LICI’s ECS and ATM premium payment
facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LICI has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

LICI continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. From then to now, LICI has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LICI to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

There are 24 life insurers in India with about Rs 15 trillion (US$ 292.5 billion) in assets. According to data released by the Insurance Regulatory and Development Authority (IRDA), the life insurance industry collected Rs 89,655.83 crore (US$ 17.5 billion) during April 2011-February 2012 by writing new policies while the insurers sold about 35.12 million policies collectively. Private players sold seven million policies. The general insurance industry continued with its growth trajectory as the gross written premium grew 24.03 per cent during 2011-12 against the year-ago period.
Increasing GDP, coupled with the growth in demand, has opened an excess of opportunities for India's insurance industry. Since the entry of the private sector in the post liberalization, the Indian life insurance sector has changed significantly to offer a range of life insurance solutions through a distribution network spread across the country. The Insurance Regulatory and Development Authority (IRDA) has played an important role in providing direction to the industry. India currently has 24 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 23 life insurance companies. The country offers huge growth potential for insurance companies, offering an opportunity for foreign companies to enter the sector.

**The Insurance Sector: Public and Private**

The total insurance penetration, which is the ratio of insurance premium as a percentage of GDP, has increased from 2.32 in 2000-2001 to 5.10 in 2010-2011, according to IRDA. The initial phase of the life insurance industry witnessed high growth which was propelled by a buoyant economy. As the industry progressed from its infancy towards maturity, the regulatory architecture played a critical role by guiding and steering the industry on the right track. It has helped in building a robust insurance industry and made favourable initiatives to give the industry an additional boost.

Director and Chief Executive Officer, IDBI Federal Life Insurance, said, "There is an increasing awareness for life insurance plans sold over the internet in India, with almost 10 million searches every month. Customers increasingly today prefer to make an informed decision about purchasing life insurance plans by going through the details and even comparing options. The interactive online platform enables them to research the plan, calculate premium amounts and make payment online directly to the company.”
to receive the insurance policy in the comfort of their homes." The market size of Indian life insurance industry is expected to touch US$ 111.9 billion in 2015 from US$ 66.5 billion in 2011, at a compounded annual growth rate (CAGR) of 14.1 per cent, according to a report by BRIC data. The report estimates that India would be the third-largest market for life insurance in the world by 2015. At present, India stands 12th among the top global markets for life insurance. Also, the number of policies sold is expected to increase to 85.21 million in 2015 from 53.23 million in 2010.

**Role of Insurance in Service Sector**

In India the contribution of the services sector to the economy has been 55.2 per cent to the gross domestic product (GDP). It is growing by 10 per cent annually and also contributing to about a quarter of total employment (Economic Survey 2010-2011). In the services industry, the life insurance sector stands out because prior to liberalization, pre 1990s, this sector was controlled and regulated by the government. Nationalized life insurance company i.e. LICI enjoyed a firm grip over the market. After liberalization the life insurance domain opened up for private participation which called for a huge competition and a revolutionary change has been witnessed by the stakeholders in this sector. A large chunk of the service industry in India is occupied by the insurance sector. From a monopoly market dominated by state-controlled LICI it now has a highly competitive market after globalization. This change had the maximum impact on the front-line sales people, in this case the insurance advisors, because they are the ones who go into the market and take up the challenge face-to-face.

As per the latest update by the India Brand Equity Foundation, LICI is the market-leader, with 72.7 per cent share in FY13, followed by ICICI Prudential, with 4.7 per
cent share, in terms of total life insurance premium collected. Over FY03-FY13, life insurance premiums in India expanded at a CAGR of 16.5 per cent. India’s insurable population is anticipated to touch 75 crore in 2020, with life expectancy reaching 74 years. Furthermore, life insurance is projected to comprise 35 per cent of total savings by the end of this decade, as against 26 per cent in 2009-10.

**Changing Form of the Insurance Sector due to Competition**

The life insurance sector stands-out from the rest with respect to the importance it levies on human relationship for its survival and growth. It can be further suggested that the service industry is dependent more on individual attributes rather than the product features. Performance of employees in the services sector has a unique perspective. They are providing services to the society through intangible products. Here the customer cannot touch or see or feel or smell or hear the product but can only try to visualize the benefits of the product with the help of the individual who is selling this service. Hence, in this selling process the human factor plays a vital role.

### 3.4 Research Gap and Research Issue

A large body of literature in the domain of performance management and its association with social and personal abilities is available which is summarized in Chapter I, Figure 1.1. To operationalise this research, a conceptual framework has been developed in Chapter II, Figure 2.4 wherein the present study has established the sub-set of the relationship between social skills and personal characteristics and performance. This has been further explained through Figure 2.4.1 where the influence of emotional intelligence and personality on performance has been portrayed. This understanding
encouraged the researchers to extend the study on a field level data to evaluate the impact of emotional intelligence and personality on performance of life insurance advisors. The rationale behind this was also that empirical studies of emotional intelligence and its impact on performance in different sectors, primarily manufacturing sectors formed a significant part of the literature. In addition, influence of personality on performance in different sectors has also contributed to the rich body of work.

However, we seek to explore some lesser dissected areas to identify the influence of emotional intelligence in combination with personality on performance. The conceptual framework developed in this study in the initial section substantiates the phenomenon that emotional intelligence and personality together form the persona.

An additional novelty of this study that addresses the lacuna in commonly available research is the study of emotional intelligence and personality in the performance of life insurance advisors, in particular.

However, given the Indian insurance sector and its opening up to the global sector, the study also reveals a comparative discussion between the public and private sector life insurance advisors.