

Attrition and Retention of Sales People: A Diagnostic Study of the Insurance Sector

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Abstract

The insurance sector today stands as a business growing at a rate of 15-20% annually. In spite of this growth, in the present scenario, the insurance industry is facing a grave challenge as far as retaining sales professionals is concerned. Around 35% attrition rate has been reported in the frontline sales category only. The present study aims to find out the factors that cause attrition in the insurance sector and how do these dimensions vary across the personal characteristics of the sales professionals.

Keywords: insurance industry, attrition, job satisfaction, retention, sales professional, recruitment

JEL Classification : M1, M5, M8

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The insurance sector today stands as a business growing at a rate of 15-20% annually. Together, with banking services, it adds to about 7% of the country's GDP and has been instrumental in driving the Indian economy on the rapid growth curve. In spite of all this growth, in the present scenario, the insurance industry is facing a grave challenge as far as retaining sales professionals is concerned. The industry is facing 35% attrition rate in the frontline sales category only. A good number of professionals are leaving the industry to join areas such as investment banks, mutual funds, retail, and FMCG. Retaining good employees is crucial for the stability of any industry. High employee attrition not only results in enhancing costs due to loss of critical sales professionals, but it also puts an additional load on the existing employees. Today, the world is facing the challenge of global recession, which makes it important for insurance companies to enforce on selling, making talent retention a serious concern for the insurance companies (Prakash & Chowdhury, 2004).

Review of Literature

This section briefly talks about the conceptual framework and research studies conducted in this area, bringing about the interrelationship of job satisfaction and propensity to leave, which has an impact on degree of attrition in the insurance industry. The insurance industry is facing the challenge of high staff attrition rate. March and Simon (1958) found that propensity to leave an organization is shown by employees when they perceive that an organization does not provide inducement according to contribution. The rate of propensity to leave among sales professionals has been historically high (O'Connell & Kung, 2007), which is about twice the average of business managers and other professionals and is in the range of 20 to 40% in India (Ludlum, 1988).

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Prakash and Chowdhury (2004) concluded that attrition is a function of a declining workforce. It is defined as a withdrawal tendency caused due to lack of satisfaction. It is the reduction in the number of employees through retirement, resignation, or death pains. Recruiters explain that high attrition rates significantly increase the investment made on employees. According to studies, attrition of sales professionals may affect the competency of any organization in a way that may not be measurable. Denton (1992) specified that the problem of attrition should be dealt with proactively. The job characteristics model by Hackman and Oldham (1976) focused on the interaction between the psychological states of employees, the job characteristics found out the factors that determine how positively a person will be committed to his job and respond to a complex and challenging job.

Studies conducted by Mehta, Armenakis, Mehta, and Irani (2006) and Budhwar, Varma, Malhotra, and Mukherjee (2009) discovered numerous factors as a root cause of the severe problem of attrition. Researchers have focused on various domains like the HRM systems and practices, job satisfaction, and burnout prevention (Kanwar, Singh, and Kodwani, 2009). Thereby, from the review of earlier research, it can be said that disengagement and job search behavior of the employee are on the rise, and the rate at which employee turnover happens is serious and disturbing. Therefore, strategic analysis of recruitment and selection procedure is required (Aswathappa, 2005). Riaz and Ramay (2010) conducted a study to find out the antecedents of job satisfaction in the telecom sector. The study conducted by Gunlu, Aksarayli, and Perçin (2010) indicated that job satisfaction has a significant impact on commitment.

A problem among salespeople has been employee-turnover (Richardson, 1999), which creates major expenses through lost sales, costs of separation, recruitment, selection, and training (Scully, 1998). According to Times News, New York (2003), overall attrition rate was 42% in USA, 29% in Australia, 24% in Europe, and 18% in India, whereas the global average was 24% (Jafri & Shahnawaz, 2011). Catherine and Chiu (2002) argued that turnover includes costs such as lost productivity, lost sales, and management time. Thereby, attrition is a cycle harming both the employee and the employer. In today's competitive scenario, it becomes crucial to identify the individuals' unique motives for working (Haim, 2003), and it is difficult to identify what motivates employees (Mishra, 2007).

Need for the Study

The review of literature reveals that attrition has an impact on sales, employee satisfaction, job models, recruitment, and selection policies. Therefore, it is necessary for organizations to study the factors affecting the attrition rate so that right retention policies are put in place, which in return may provide a congenial working environment for the sales employees.

Objectives of the Study

The present study aims to find out the factors that cause attrition in the insurance sector and how do these dimensions vary across the personal characteristics of sales professionals. The study will also bring about the interrelationship of job satisfaction and propensity to leave, which has an impact on the degree of attrition in the insurance industry. Furthermore, the study also focused on the following objectives:

- (1) To determine the association between external career opportunities and employee attrition,
- (2) To understand the impact of role clarity on degree of attrition,
- (3) To study the impact of intrinsic motivators like self perceived needs, values, and talents among the sales professionals on degree of attrition in the organization,
- (4) To understand the role transparency plays in degree of attrition,
- (5) To analyze the role played by internal career boosters on degree of attrition,
- (6) To determine the factors impacting degree of attrition between males and females,

(7) To determine the factors impacting degree of attrition between single and married people.

Hypotheses

Keeping in view the literature review, the following hypotheses are formulated to achieve each of the objectives in this study:

- **H1:** Degree of attrition is independent of external career opportunities,
- **H2:** Degree of attrition is independent of role clarity,
- **H3:** Degree of attrition is independent of intrinsic motivators,
- **H4:** Degree of attrition is independent of transparency,
- **H5:** Degree of attrition is independent of internal career boosters,
- **H6:** Degree of attrition is independent of gender,
- **H7:** Degree of attrition is independent of marital status.

□

Research Methodology

The study employs primary data collected by communicating with the respondents with the help of a structured questionnaire. The data was collected by using a combination of simple random and judgment sample of 100 sales professionals working in insurance companies in Bareilly . In the questionnaire, 28 questions were posed to different respondents (which were taken into account by considering different influencing variables of the study by using the 5-point Likert scale, where a score of 5 accounted for *Strongly Disagree*, 4- *Less Disagree*, 3- *Neither agree nor disagree*, 2- *Less Agree*, 1- *Strongly Agree*. The survey was conducted during January - February 2013 in Bareilly, Uttar Pradesh. Statistical tool used in the study was factor analysis. The hypotheses framed for the research work were tested by using the *t*-test ; the chi-square test was used to measure the variance and to accept or reject the null hypothesis. The analysis of the data was carried out using SPSS (15.0) for Windows.

Table 1. Characteristics of the Respondents (N = 100)

	Characteristics	Number of respondents	%
Rank	Executive	49	49.0
	Senior executive	43	43.0
	Manager	8	8.0
	Total	100	100.0
Gender	Male	74	74.0
	Female	26	26.0
	Total	100	100.0
Marital Status	Single	46	46.0
	Married	54	54.0
	Total	100	100.0
Annual Income (in ₹)	below 1.5 lakhs	45	45.0
	1.5-3 lakhs	46	46.0
	3-5 lakhs	9	9.0
	Total	100	100.0

Analysis and Results

The total numbers of respondents were 100 (refer to Table 1) . Out of 100 respondents, 74 (74%) respondents were males and 26 (26%) respondents were females. Rank wise, 49 were executives, 43 were senior executives, and 8 respondents were managers. Marital status wise, 46(46%) respondents were single and 54 (54%) respondents were married. Income-wise, 45(45 %) respondents had an annual income below ₹ 1.5 lakhs, 46(46%) respondents had an annual income between ₹1.5 lakhs to ₹ 3 lakhs , and 9(9%) of respondents were having an annual income between ₹ 3 lakhs to ₹ 5 lakhs. The Table 1 gives a summary of the demographic details of the respondents.

➤ **Factor Analysis :** Exploratory factor analysis was used in order to identify the factors affecting the attrition rate among sales professionals of financial companies considering 100 respondents in Bareilly region. To test the suitability of the data for factor analysis, the following steps were taken:

➤ The correlations matrices were computed and examined. It was revealed that there are enough correlations to go ahead with the factor analysis.

➤ Anti-image correlations were computed. These showed that partial correlations were low, indicating that true factors existed in the data.

➤ Kaiser- Meyer- Olkin (Table-2) measure of sampling adequacy (MSA) for individual variables was studied from the diagonal of partial correlation matrix. It was found to be sufficiently high for all variables. The measure can be interpreted with the following guidelines: 0.90 or above, marvelous; 0.80 or above, meritorious; 0.70 or above, middling; 0.60 or above, mediocre; 0.50 or above miserable, & below 0.50, unacceptable.

➤ To test the sampling adequacy, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was computed, which is found to be 0.757. This indicated that the sample was good enough for sampling.

➤ The overall significance of the correlation matrix was tested with Bartlett's test of sphericity for factors affecting attrition (approx. chi square = 560.304 significant at 0.000) as well as support for the validity of the factor analysis of the data set.

Hence, all these standards indicate that the data were suitable for factor analysis. For extracting the factors, we employed principal component analysis and latent root criterion. Rotation methods, orthogonal rotation with varimax, were also applied. As per the latent root criterion, only the factors having latent roots or Eigen values greater than 1 were considered significant, and all the factors with latent roots less than 1 were considered insignificant and were disregarded. Thereby, five factors were extracted (refer to Table 3) using the explained methodology. The extracted factors are : External Career Opportunities, Role Clarity, Intrinsic Motivators, Transparency, and Internal Career Boosters. Degree of attrition was extracted from question numbers 22, 28, 29, and 30 in the questionnaire (see Appendix 1A).

The results (Table 4) of the chi square test indicate that External Career Opportunities is significantly related with the degree of attrition, as the chi-square value is 276.237, with .857 as the contingency coefficient. Hence, hypothesis (H1) could not be supported. It means there is a strong association between External Career

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	560.304
	Df	190
	Sig.	.000

Table 3. Factors Affecting Attrition Levels of Sales People

S. No.	Factor name	Item*	Factor Loading
1	External Career Opportunities	Q16	.770
		Q17	.817
		Q18	.892
		Q19	.833
		Q20	.744
		Q21	.679
		Q23	.783
		Q24	.821
		Q25	.861
		Q26	.785
		Q27	.770
		Q31	.730
2	Role clarity	Q12	.903
		Q13	.956
		Q14	.764
3	Intrinsic Motivators	Q5	.854
		Q6	.803
		Q7	.652
4	Transparency	Q10	.803
		Q11	.651
		Q15	.615
5	Internal Career Boosters	Q8	.741
		Q9-.741	

* For items, refer to Appendix 1A

Table 4. Association Test to Explore the Component of Degree of Attrition of Sales Professionals

Attribute	Chi-Square Value	p- value	Contingency Coefficient	Hypotheses (Rejected/Accepted)
External Career Opportunities	276.237	.01	.857	H1 is Rejected
Role Clarity	154.216	.04	.779	H2 is Rejected
Intrinsic Motivation	102.703	.035	.712	H3 is Rejected
Transparency	219.013	.01	.829	H4 is Rejected
Internal Career Boosters	124.504	.022	.745	H5 is Rejected

Opportunities and degree of attrition. The external factors thereby had a great impact on the attrition rate. This factor comprised of the variables - better job opportunities from other employers, the changing business environment, and other personal matters.

Role Clarity is also significantly related with the degree of attrition as the chi - square value is 154.26, with .779 as the contingency coefficient. Hence, hypothesis (H2) could not be supported. It means there is a strong association between Role Clarity and the degree of attrition. It is also seen from the Table that Intrinsic Motivation is significantly related with the degree of attrition as the chi - square value is 102.703, with .712 as the contingency coefficient. Hence, the hypothesis (H3) could not be supported. Therefore, there is a strong association between Intrinsic Motivation and degree of attrition. The Table also indicates that Transparency is

Table 5. Association Test to Explore the Impact of Marital Status and Gender on Degree of Attrition of Sales Professionals

	Chi-Square Value	p - value	Contingency Coefficient	Hypotheses
(Rejected/Accepted)				
Gender	15.439	.15	.366	H6 Accepted
Marital Status	18.691	.18	.397	H7 is Accepted

significantly related with the degree of attrition as the chi - square value is 124.504, with .829 as the contingency coefficient. Hence, hypothesis (H4) could not be supported. Thereby, there is a strong association between Transparency and the degree of attrition. The Table 4 also indicates that the factor Internal Career Boosters is significantly related with the degree of attrition as the chi - square value is 124.504, with .745 as the contingency coefficient. Hence, hypothesis (H5) could not be supported. Thereby, there is a strong association between Internal Career Boosters and the degree of attrition.

The Table 5 indicates that gender is not significantly related with the degree of attrition as the chi-square value is 15.43, with .35 as the contingency coefficient. Hence, hypothesis (H6) could be accepted. Thereby, there is no association between gender and the degree of attrition. The Table 5 also reveals that marital status is not significantly related with the degree of attrition as the chi-square value is 18.691, with .18 as the contingency coefficient. Hence, hypothesis (H7) could be accepted. Thereby, there is no association between marital status and the degree of attrition.

Managerial Implications

As analyzed from the above findings, there is a high level of pressure and risk involved in a sales profile in the insurance industry; thereby, to retain good talent, companies have to be more cautious in dealing with their employees. It was observed that all five factors identified above, namely External Career Opportunities, Role Clarity, Intrinsic Motivators, Transparency, and Internal Career Boosters did not have equal influence on attrition rate. It can be inferred that Transparency and External Career Opportunities had the strongest influence on attrition rate. These factors had a cumulative effect on intention to quit, which is a strong precursor for attrition. The external factors that have a great impact on the attrition rate include better job opportunities from other employers, the changing business environment, and other personal matters. This implies that unless organizations become transparent and do not clearly communicate the variety of growth opportunities within the organization, employees will be lured towards external career opportunities, thereby enhancing the attrition rate. Role Clarity and Intrinsic Motivators like interest, enjoyment, autonomy, and relatedness not only cause, but also maintain motivation (Deci, Ryan, Gagne', Leone, Usunov, & Kornazheva, 2001). It can be inferred that sales professionals' autonomy and role clarity lead to increased job satisfaction, higher performance, more stability, and reduction in the attrition rate.

Internal Career Boosters are related to organizational commitment. Lack of job security especially exists in the sales field, where the job tenure is totally based on performance, that is directly related to attrition rate. Here, it was found that the socio-cultural, demographic, psychological, and family related issues also influenced the workers' decision to stay with an organization. Other internal factors which had an impact on the attrition rates are lesser growth opportunities, lack of support from peers and superiors, and lack of motivation in the form of rewards.

It was observed that parameters like gender and marital status did not have any direct influence on attrition rate, but they had an indirect perceptual effect on how one views external career opportunities. On the basis of gender comparison, it was inferred that the following factors, namely extrinsic hygiene factors, involvement factors, life interest, and work compatibility had higher significance in case of females as compared to males. While comparing the mean value of the involvement factors, a significant difference was observed between married and unmarried employees.

Conclusion

Customers perceive insurance as an expense, and not an investment, thereby enhancing the difficulties for sales professionals in the market, making sales a high-pressure job in the insurance industry. This makes it imperative for the organizations to understand and ensure that an overall improvement is made for making the organizational environment friendly for the sales people. The present study signifies that there is a high level of pressure and risk involved in the sales job in the insurance industry. Hence, this industry is experiencing high rates of attrition of sales employees and the top managements are scratching their heads to figure out how to retain good employees. The present study revealed five factors namely - External Career Opportunities (ECO), Role Clarity, Intrinsic Motivators, Transparency, and Internal Career Boosters to be the main reasons for the high rates of attrition.

If we go in a deep analysis of these parameters, we will observe that ECO is a common factor for attrition not only in the insurance sector, but in almost all the sectors. May be, the time has come when the top bosses of the insurance sector have to look upon their own role clarity. Most of the time they spend with their sales professionals is only to boost up the business, wherein the need of the hour is that they need to spend quality time in motivating their team of sales professionals. Performance criteria of sales professionals has been primarily related to the targets set for them, which leads to enhanced work pressure among them. If only the top managements frame their promotion policies on boosting up the efforts put in by the sales employees, this would lead to self motivation and confidence among the sales professionals, which is an important factor in reducing the attrition rate. The top managers of the industry need to have regular updates of the overall performance and efforts put in by the sales professionals in order to engage them in healthy competition. The attrition rate is high because most of the time, the organizations in the insurance sector are emphasizing on expenses rather than on investments in the development of human resources.

Thereby, the organizations should look forward to retaining sales professionals by giving them due importance in the form of timely recognition and empowerment ; emphasis should be placed on employee training and development. Through efforts like employee recognition and distribution of targets among all the employees, a sense of loyalty can be generated among the employees, causing a reduction in the attrition rates. There is a need to enhance transparency in setting examples of those sales professionals who have risen in the industry by their efforts and with the support of their top bosses. Here, the need of the hour is to give more of intrinsic motivation to instill the skills of risk taking to achieve career advancement, so that the employees can become self motivated, resulting in better job satisfaction and performance. This might help the industry to fight the problem of high attrition among sales professionals.

Limitations of the Study and Scope for Further Research

The study was conducted in Bareilly, and the results cannot be generalized for pan- India. Further research can be conducted by adding a couple of facets to the present study. The study can be replicated in sectors like ITES, retail, IT industry, and the education sector, as all these sectors have a significant rate of attrition.

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Appendix 1A. Description of Items

Items	Description
1	I like to interact with new people.
2	Overall, I am satisfied with working in this organization.
3	My seniors respect my personal rights.
4	I am often expected to do things that are not reasonable.
5	I have confidence in the judgment of the senior management.
6	There is a friendly working relationship between the organization and the employees with a sales profile.
7	The Management usually keeps us informed about the things we want to know.
8	The organization tries to take unfair advantage of its sales force.
9	This is a good organization for people trying to get ahead in their career.
10	This is a good organization for career growth.
11	The Management is not very interested in the feelings of the sales people.
12	I know exactly what is expected from me in my job.
13	Most of the new sales employees frequently do not know what they are supposed to do.
14	My current organization is a better place to work than other organizations in this field.
15	The working procedures here are well organized and coordinated.
16	A lot of time is wasted here due to poor planning.
17	Our job targets are not clear.
18	This is just a place of work for me and is separate from my personal interests.
19	The needs of the organization are more important than my own personal interests.
20	I feel a strong sense of belonging towards my organization.
21	I feel emotionally attached to this organization.
22	I would be happy to spend the rest of my career with this organization.
23	I enjoy discussing about my organization with outsiders.
24	I will probably look for a job in a different company next year.
25	I would turn down an offer from another company if it came tomorrow (reverse scored).
26	I plan to stay with this company for quite some time (reverse scored).
27	I am not sure that this is the right job for me.
28	I often think about quitting.
29	Gender.
30	Marital Status.
31	Family Income.