

Effect of Insurance Agents' Entrepreneurial Characteristics on Development of Life Insurances: Case Study of Iran Insurance Company Agents in Khorasan Razavi

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Abstract

This research studies the effect of entrepreneurial characteristics on life insurance development. This is an applied, descriptive survey. Field data were gathered through a questionnaire for which its validity and reliability were verified. The participants included 860 individuals according to Cochran's formula. Research hypotheses were analyzed through using Structural Equation Modeling and AMOS software. Results showed that entrepreneurial characteristics influence life insurance development of Iran insurance company's agents in Neyshabur, Iran.

Keywords: Entrepreneurship, entrepreneurial characteristics, life insurance development, technology, organizational structure, human resource.

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Introduction

Life insurance is a significant field of insurance industry such that its development considerably contributes in organizing and performance of insurance companies; in

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addition, it improves domestic economic status. 60% of the collected premium in the world insurance industry, in the last two decades, devoted to life insurance (Mahdvai and Bakhshi, 2011). Different motivations are effective in entrepreneurship including the need for achievement, earning income, fame, usefulness and independency, creativity and innovation, ambiguity, self-confidence and self-esteem, providence and pragmatic, as well as opportunism. Entrepreneurial esprit is the origin of many successes for human; certainly, the history will adjust and keep on the trace of entrepreneurship. Considering the irrefutable effect of quantitative and qualitative development of insurance industry on economy, it is required to regard entrepreneurship in insurance industry. Organizational society, in the present evolving world, can move toward development and progress if equipped with entrepreneurial knowledge and skills (Shekari et al, 2011). Thus, this research seeks to find the answer to this question that whether entrepreneurial characteristics of insurance agents influence life insurance development or not.

Statement of the problem

However, the history of insurance industry dates back to seven decades ago in Iran, it still faces many deficiencies, regarding its capacities, in widely offering life insurance to improve social welfare (Ranjbar Kalhoroudi, 2007). Nowadays, entrepreneurship is defined as a thinking style turning into such a powerful drive for developing insurance industry. Insurance as a service activity based on a knowledge-oriented workforce is highly consistent with the concepts of entrepreneurship functions. Moreover, this industry extremely requires creativity, innovation, and entrepreneurship activities in insurance companies' services, agents' insurance services, and brokers (Kazemi Tame, 2007). Life insurance currently are offered and sold by insurance agents or brokers. Reviewing life insurance sale and development in insurance agents of Khorasan Razavi province revealed some problems including inefficient sale network, lack of a life insurance specialized broad sale network by such agents, as well as inadequate supply of life insurance products. Regarding the critical role of agents or insurance brokers in insurance development, it is important to consider such effective characteristics of agents in developing life insurance. Therefore, according to the stated gaps and challenges of life insurance, the present research seeks for finding an answer to this question whether entrepreneurial characteristics of insurance agents influence life insurance.

Research objectives

The main purpose of this research is studying the effect of entrepreneurial characteristics of insurance agents on developing life insurance. The research secondary objectives include:

1. Studying the effect of entrepreneurial characteristics of insurance agents on technology development in life insurances;
2. Studying the effect of entrepreneurial characteristics of insurance agents on organizational structure development in life insurances;

3. Studying the effect of entrepreneurial characteristics of insurance agents on human resource development in life insurances.

Literature review

Entrepreneurship

Entrepreneurship originates from *Entreprendre*, which is a French word meaning “broker and dealer”; or it comes from the English term “to undertake” means “being committed to”. Entrepreneurship embraces a learning process including the ability to deal with problems, and learning (Deakins & Freel, 1998). Entrepreneurship supports a wide range of activities and processes such as innovation and founding an organization, creating new attitudes, discovering opportunities and risk (Nasution et al, 2011). Entrepreneurship is an opportunity-based activity and thinking style (Timmons, 2007).

Technology development

However, applying new technologies, in particular “information technology” (IT) is now evident in insurance industry, there are some practical problems including lack of required infrastructures to implement technology like electronic money, electronic signature, telecommunication, relevant laws and regulations, and etc. Insurance industry is far behind other institutes such as banks in applying information technology. Furthermore, life insurance selling is not as proper as other insurance. A growing trend can introduce internet as a necessary and useful mean to create competitive advantages in life insurance (Rokovska, 2001).

Components of technology development in insurance industry are as follows: Level of activities’ automation; the amount of IT utilization; using internet for life insurance online marketing; using comprehensive systematic statistics and information databases.

Organizational structure development

Organizational structures and how they are organized play a major role in realizing organizational goals. In other words, the structure shows strategy. Organizational structure in insurance industry that creates innovation in this industry must have the following features:

Organizational structure characterized by decentralized decision-making; less rules and regulations; more flexibility; more horizontal or networked structure; less formal communication to improve innovation in organization (Doust Kouhi and Sehat; 2011).

Human resource development

Human resource refers to all individuals working in various levels of an organization. Human resource is the organization’s most important capital. Organizations utilizing trained human resource, referred as high added-value organizations (Saadat, 2010). Insurance industry sale network consists of insurance agents, brokers (dealers), and marketers are the executive arms of insurance companies. A mature and prospered sale

network will lead to qualitative and quantitative sale prosperity; otherwise, causes distress in insurance supply.

Past researches

Some experimental studies relevant with this research are mentioned as follows:

Yadollahi Farsi et al (2013) in a study, named “Evaluating entrepreneurship opportunities in life insurance”, concluded that the profit of identified opportunities, product, human resource, and current and required operational capabilities are the most important factors in evaluating life insurance entrepreneurship opportunities.

Borocki et al (2011) , in a study called analyzing developing factors in strategic-oriented manufacturing and servicing companies, concluded that developing both service and manufacturing companies requires development in all aspects of developing technology, organizational structure, human resource development, as well as developing investment. Meanwhile, the environment is an important component in analyzing such criterion.

Pittaway (2007) in another study investigated demographic changes and aging process in developed countries and introduced obtained entrepreneurship opportunities. He concluded that increased occurrence of disasters such as storms, floods, and dangers of global warming made a great desire in people and particularly elderly toward life insurance. Moreover, there are significant investing entrepreneurship opportunities in this industry.

Research methodology

Since this research studies and analyzes the effect of entrepreneurial characteristics on life insurance development, thus it is an applied study. A questionnaire used to study the relationship between variables and to find the answer to an academic question in the real world; hence, it is a descriptive survey. Data were collected through two Likert scale questionnaires. The validity of the questionnaires were verified by experts. The reliability was also measured by Cronbach alpha through using SPSS 16.0 software. It must be mentioned that reliability of each factor was measured; then, an overall reliability was calculated. Cronbach alpha coefficient of 50 distributed questionnaires was 83%, which is relatively high, exceeding the acceptable limit of 0.6 (Sarmad et al, 2003).

The research statistical population included 850 agents and marketers of Iran insurance company’s agents concentrating on life insurance in Khorasan Razavi province. Due to the large number of agents in different cities of Khorasan Razavi, the research only studies agents in two cities of Neyshabur and Mashhad. The statistical sample consists of 265 individuals of the total 850 insurance employees, according to the statistics of 2013-2014, which were randomly selected using Cochran’s formula.

Data analysis

Structural Equation Modeling (SEM)

Structural equation modeling is a robust, general multivariate analysis technique of multiple regression family; or in other word, it extends the general linear model that enables the researcher to simultaneously test a series of regression equations (Houman, 2005). Amos software is SEM software using for path analysis. The research used Amos 16 to test basic model. Generally, results showed that the factors were in the acceptable boundaries; thus, the model can be stated as a proper model.

Participants' demographics

According to the obtained data, 45.8% of the respondents were male and 53.1% were female. Individuals with a bachelor degree with 62.3%, age range of 20-30 with 53.1%, and individuals with 0-5 years of experiences with 68.8% were the highest frequent samples.

Research main hypothesis

H₁: *There is a relationship between entrepreneurial characteristics of insurance agents and life insurance development.*

It requires to separately test the relationships of all entrepreneurial characteristics of insurance agents with various dimensions of life insurance in the form of following alternative hypotheses:

H_{1a}: *There is a relationship between entrepreneurial characteristics and technology development in life insurances.*

According to table 1, since the significance level is 0.012, which is less than 0.05, the first alternative hypothesis is confirmed. Results demonstrate that there is a relationship between entrepreneurial characteristics of insurance agents and technology development in life insurances. Kazemi Tame (2007), in a study named entrepreneurship in insurance, concluded that agents must particularly try to train and apply marketers specially in life insurance such that being enable to use innovative communication and information technologies and remove all traditional ways of life insurance. The results of this study are also consistent with Pitaway (2007), Yadollahi Farsi et al (2013), and Mobaraki et al (2012).

Table 1 Path coefficient of entrepreneurial characteristics of insurance agents and technology development in life insurances

First alternative hypothesis	Coefficient	Significance	Result
Effect of Entrepreneurial characteristics on technology development in life insurances	0.084	0.012	Confirmed

H_{1b}: *There is a relationship between entrepreneurial characteristics and organizational structure development in life insurances.*

Based on table 2, considering the significance level of 0.014, less than 0.05, the second alternative hypothesis is supported. It means that there is a relationship between

entrepreneurial characteristics of insurance agents and organizational structure development in life insurances at confidence level of 95%.

Imani Pour (2008), in a study called the relationship between corporate entrepreneurship tendency and performance of Iran insurance companies in Tehran, concluded that flexible structure in insurance agents have a positive and significant relationship with financial performance and staff consent. Sehat et al (2011)' study is also relevant with the obtained findings.

Table 2 Path coefficient of entrepreneurial characteristics of insurance agents and organizational structure

Second hypothesis	coefficient	Significance	Result
Entrepreneurial characteristics and organizational structure development in life insurances	0.019	0.014	Confirmed

H_{1c}: *There is a relationship between entrepreneurial characteristics and resource development in life insurances.*

As table 3 shows the third alternative hypothesis maintains the test significance level of 0.05, which is equal to 0.05. It indicates that there is a relationship between the success need of insurance agents and life insurance human resource development at confidence level 95%. In this regard, Yadollahi Farsi et al (2013), in a study named evaluating entrepreneurship opportunities in life insurance, concluded that human resource and its capabilities is one of the most important factors for evaluating entrepreneurship opportunities in life insurance. Thus, it requires proper educational curriculum to train professional workforce and abroad students to achieve skills. Moreover, the results of this hypothesis are consistent with Sehat et al (2012) and Faghani (2012).

Table 3 Path coefficient of entrepreneurship characteristics of insurance agents and life insurance human resource development

Second hypothesis	Coefficient	Significance	Result
Entrepreneurial characteristics and human resource development in life insurances	0.015	0.05	Confirmed

Figure 1 also represents the summary of research findings schematically.

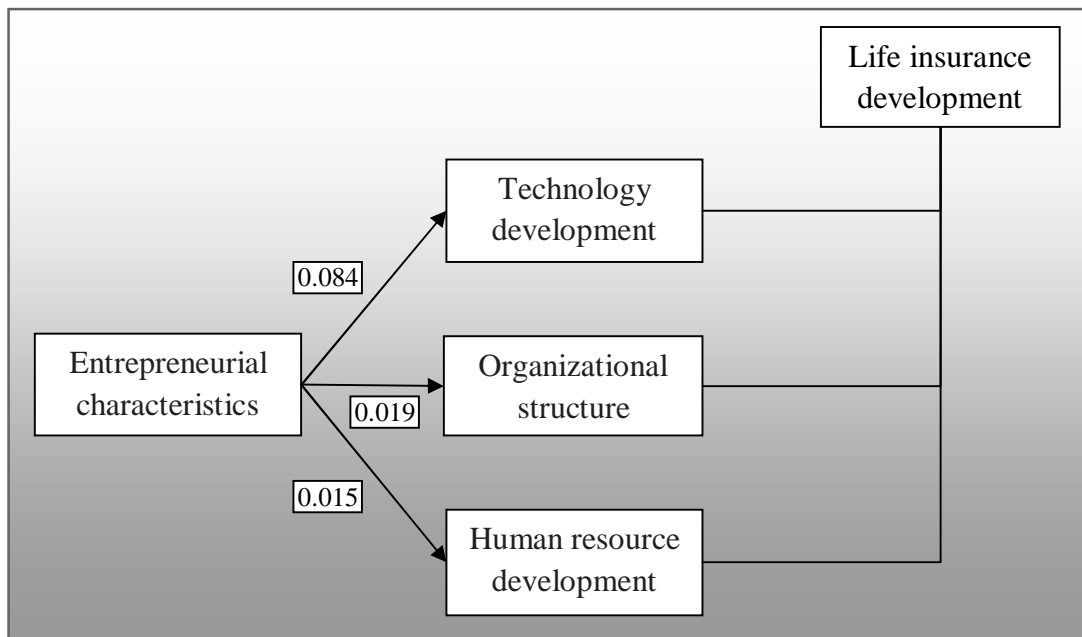


Figure 1 Final research model

Conclusion and recommendation

Results reveal that entrepreneurship and its dimensions influence life insurance at confidence level of 95%. All alternative hypotheses were also supported. Obtained results were consistent with Pitaway (2007), Borocki et al (2011), Mobaraki et al (2012), and Yadallohai Farsi et al (2013).

Research findings demonstrate that there is a significant relationship between entrepreneurial characteristics of insurance agents and life insurance development. As entrepreneurship history focused on the importance of insurance industry improvement and development; thus, it is recommended to take the following practical measures in order to enhance entrepreneurial characteristics and finally entrepreneurship spirit among insurance agents:

Entrepreneurship and entrepreneurial esprit have a positive and significant correlation with life insurance development in Iran Insurance Company's agents in Neyshabur. So, the more tendency toward entrepreneurship, the more improvement in insurance performances in terms of flexible organizational structure, increased use of technology and IT, as well as more entrepreneur human resource.

As the research results show entrepreneurship and entrepreneurial activities in insurance agents can lead to higher profit through development of life insurances. However, the profit of such entrepreneurial activities relates directly with their costs. It is suggested that the government should support newly founded agents in meeting high initial costs in order to develop life insurances; and to pave the ways for entrepreneurs through formulating facilitating rules for necessary initial capital for establishment of firms.

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