

# Validation of Instruments for Measuring the Salesforce Characteristics in Life Insurance Business in Indonesia

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**Abstract:** *Background:* This study intends to validation of Instruments for measuring the salesforce characteristics in life insurance business in Indonesia. *Results:* from factor analysis using principle component with varimax rotation, initially extracted three factors solution. After measures of sampling adequacy (MSA) deletion, a single factor consisting of 14-item salesforce characteristics scale was established the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) for one dimensions solution is 0.934, with a significant Bartlett's test of sphericity (Sig=0,000). The variance is explained by 65.03% with extracted factors eigenvalue of more than 1. *Conclusion:* this study validated the salesforce characteristics instrument through the analysis using exploratory factor analysis in SPSS.

**Keywords:** salesforce characteristics, Indonesia life insurance, sales organization, behavioral strategy, attitude

## 1. Introduction

The objective of financial service companies that provide financial service is to maintain confidence in the financial system, financial stability, and reduction in financial crime and securing appropriate protection for consumer. Therefore, financial services organizations have to possess the ability to purposefully adapt to the changing environment and to fulfill customer's needs. Like other economies, the life insurance business has become one of the hottest emerging markets in the South East Asia region, especially in Indonesia, experiencing healthy growth for the past few years (Abidin, 2011; Djaelani, Keban, Husnan, & Hanafi, 2011).

Moreover, the development of the Indonesian Life Insurance business has been progressing rapidly over the years. It is now considered as one of the best in the ASEAN and making Indonesia as a strong insurance development in line with international standards. From the 2013 statistics, which released by the Indonesia Life Insurance Association (AAJI), the sector has experienced a 21% compounded annual growth rate in weighted new business premium over the five-year period from year 2009 to 2013. As of December 2014, there are fifty-one life insurance companies registered under the Indonesia Life Insurance Association and more than 500,000 registered life insurance agent or sales forces working on part-time and full-time basis. Like other business, life insurance performance depends on how they can manage their business and human resources such as sales people, and these abilities will be the undoubted differentiator of a company's strength (Wilepana & Suriyo, 2006; Ho, Dubinsky, & Lim, 2012). The quality and quantity of sales people attracted and retained by insurers and how their abilities and ambitions are harnessed would be the touchstone for the sales organization effectiveness in life insurance company (Pathak & Tripathi, 2010).

Salesforce in life insurance business is an example of highly technical, selling non-standardized, and intangible services. This research does not deal with selling pharmaceutical or health-care equipment. Rather, this study trying to classify the ideal characteristics for sales people on the organizational for promoting financial services. Salespeople in this industry are asked to tout the skills and talents of their sales specialists and staffs to a wide variety of customers, including hot market and cold market.

Even though, the rising number of empirical studies in sales management practices directed to align sales force characteristics. This factor has been among the most popular universal sales strategies for expansion and growth of many organizations in the current competitive environment (Baldauf et al., 2001; Fang, Evans, & Zou, 2005; Grant & Cravens, 1999, 2005; Inés & Canales, 2011; Küster & Canales, 2011; Piercy, Cravens, & Morgan, 1998; Piercy, Lane, & Cravens, 2002; Barker, 1997).

In most occasion, salesforce are very important people in life insurance business, but to develop a professional sales force team, a good strategy is required. The strategy includes sales management, sales productivity, sales and marketing agility, cost of sales, return on performance investment, time to market penetration, sales training, and technology support (Akotey, 2013; Negi, Jain, & Sharma, 2014; Salleh & Razak, 2011). Nonetheless, most sales organization believes that a good salesforce is a success key factors for company performance and effectiveness.

For life insurance industries in Indonesia, there is no literature or study made to look at the factors in salesforce characteristics, if these factor having relationship to increase sales organization effectiveness. It is found that no research was done to life insurance industries in Indonesia pertaining to sales force characteristics.

## 2. Literature Review

The salesperson characteristics theoretically related with behavior-based management control include affects/attitude, motivation, cognitions/capabilities, and behavioral strategy (Anderson & Oliver, 1987; Baldauf, Cravens & Piercy, 2001). Under behavior-based control salespeople are more closely related to the organization and managers, compared to out-come-based control where salespeople are controlled primarily by incentive compensation, with behavior left to the individual salesperson.

A number of factors have identified as determinants of salesforce characteristics. Output and behavior control have proposed to influence important job consequences such as performance and satisfaction. As a result, salespeople must pay more towards conscious individuals in order to achieve powerful selling (Ural, 2008). Affect/Attitude include in this categories of salesperson characteristics are acceptance authority/direction, co-operating as a part of sales team, acceptance performance reviews, and risk taking propensity. Oliver and Anderson (1994) identified strong service relationship around these characteristics and behavior control. The entire relationships were definitely positive, besides risk looking for preference.

The empirical results concerning the relationship of behavior based control with these characteristics are assorted at the salesperson level of organization. Oliver and Anderson (1994) reported a significant correlation between sales expertise and even behavioral control but not pertaining to product/company skills. The range varied manufacturers' products and solutions sold by means of agent may possibly account for deficiency of significance about product or possibly company skills.

In organization setting, salespeople are supposed to develop lasting plans that will lead to reliable behavioral behavior between the unique and his company environment. Cravens et. al. (1993) found strong support linking behavior based control and salesforce planning, customer orientation in their top sales management. In contrast, Oliver and Anderson (1994) report only one of four behavioral strategy measures significantly correlated with behavioral control.

Additionally, Entwistle (1987) is normally of the perspective that if salesforce performs correctly, it triggers organizational gains and as a result motivation factor involving employees is based on their functionality. Majority of typically the organizations call for their people to work based on the rules and regulations, along with, job specifications that conform to full specifications.

Barker (2001) recommended sales managers must embrace better folks and verbal exchanges skills to exercise and special the salesforce who deliver better company and build better not one but two way connection with customers. He also found that managers play a crucial role in getting the most out of their salesforce by more actively directing them compared to the managers in less effective firms. The most important for sales people are willingness to approve direction from their sales manager to increase sales organization effectiveness. These characteristics highlight as

the higher level of important sales behaviour as a result to improve sales organization effectiveness and achieving business goals .

Moreover, managers consider the consequences of behavior control to result in a greater extent of affects (e.g. willing to co-operate and accept direction). Intrinsic and recognition motivation, cognitions/capabilities (e.g. product knowledge and selling skills), and behavioral strategies (e.g. support activities, non-selling, and customer focus) (Baldauf, Cravens, and Piercy, 2001).

For this study, salesforce characteristics mentions to be main professional behavior-related characteristics of the salesforce include attitude, motivation and the salesperson's strategic behavior or approach (Anderson & Oliver, 1987). In the context of this research, affect/attitude, cognition/capabilities, behavioral strategy, recognition motivation and intrinsic motivation.

## 3. Research Methodology

This study employs a quantitative survey approach by collecting 100-targeted respondents consisting of local life insurance company in Indonesia. A response rate of 100 percent was obtained from this exercise. A questionnaire consisting of fourteensales force characteristics items adapted and compiled from Oliver and Anderson (1987) and Cravens et.al. (1993) was used as the main instrument. The methods of analysis used were exploratory factor analysis (EFA) principal component extraction with varimax rotation method (SPSS). Factor analysis was performed to test the construct of the items in the questionnaire. The purpose was basically to identify a small number of themes, dimension components, or factors underlying a relatively large set of variables (Meyers et al., 2006). Given that factor analysis deals with items that correlated to one another, it explains an item with any specific dimension. Hence, factor analysis allows only reasonable and viable variables to be used (Hair et al., 2010). Given that one item represents a part of a construct, a group of items is required to explain this construct. Moreover, factor analysis enables a researcher to develop quality items to determine construct validity. This study focuses on creating and validating a salesforce characteristics instrument in life insurance industry. The method of analysis discussed next.

## 4. Findings

The initial EFA resulted in one component as shown in Table 1. After deletion of spurious items based on measurement of sampling adequacy (MSA) method, the final analysis converge into a three component of fourteen items which reflects the final sales force characteristics (Table 1).

**Table 1:** Results of EFA Initial Rotated Component Matrix

<i>Items</i>	<i>Component</i>
<b>Factor 1</b>	<b>1</b>
Are willing to accept direction from their field sales manager	<b>0.743</b>
Cooperate as part of a sales team	<b>0.845</b>
Accept the authority of sales manager	<b>0.865</b>
Possess expert selling skills	<b>0.854</b>
Possess detailed product/service knowledge	<b>0.876</b>
Obtain a sense of accomplishment from their work	<b>0.821</b>
Feel a sense of personal growth and development in their work	<b>0.834</b>
Get a feeling of stimulation and sense of challenging involvement in their work	<b>0.824</b>
Have high respect from supervisors	<b>0.867</b>
Have high respect from fellow workers	<b>0.634</b>
Perform non selling activities effectively	<b>0.811</b>
Perform sales support activities	<b>0.835</b>
Focus on satisfying customer needs	<b>0.667</b>
Customize customer selling approaches	<b>0.612</b>
<i>Eigen values</i>	<b>9.089</b>
<i>Percentage of Variance Explained = 65.03%</i>	<b>65.03</b>
<i>KMO = 0.934</i>	
<i>Bartlett's Test Approx.chi square = 3367.74 , df= 91, sig = 0.000</i>	

## 5. Discussion

All fourteen items comprising measures were adapted from five measures. However, the output of the analysis did not reduce the factor construct into separate dimension. The Kaiser-Meyer-Olkin measures of sampling adequacy (KMO) for the single dimension solution is 0.934 with chi-square of Bartlett's test of sphericity, the degree of freedom is 91, and is significant at 0.000. The variance is explained by 65.03% with extracted factors eigenvalue of beyond 1. The responses for these forty questions summed to form an index of cohesiveness. This indicates that the data are suitable for factor analysis (Hair et. al., 2010; Coakes & Steed, 2003; Meyers et. al., 2006). The analysis resulted in one factor being obtained based on the criteria, that is, a given should load 0.50 or higher on a specific factor. The factor consist of fourteen items and explains 65.03% of the variance in salesforce characteristics.

## 6. Conclusion

This study validated the salesforce characteristics instrument in life insurance industry through the analysis using Exploratory Factor Analysis in SPSS and next study will be use Confirmatory Factor Analysis, the CFA could be more accurate since it tested for goodness of fit indices.

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