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## A STUDY OF FACTORS MOTIVATING EMPLOYEES IN INSURANCE SECTOR

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### ABSTRACT

Employees are the key driving force of any organization who gives endless effort to put a company's decisions into action with a view to achieve the goals of the organization. Employees, therefore, are regarded as an unsurpassed vital resource of organization, and the issue of employee's motivation has become an indispensable part of the human resource strategy of an organization. In this study, motivation as one of the most important factors potentially contributing to the performance of employees has been examined in relation to the banking sector. As a result of the study, the most important factors motivating employees are respectively "equitable wage and promotion", "extended health benefit and other social facilities", and "working environment". Another crucial finding of the study is the fact that "equitable wage and promotion" having the highest potential of motivating employees do not differentiate according to demographic characteristics. It can be argued that findings of the study can be explained mainly by Maslow's Hierarchy of Needs Theory in addition to expectancy of reward and its equity, equity theory, and Vroom's expectancy theory. Furthermore, when private Insurance Companies were compared with public sector Insurance companies, it is found out that the most important factor motivating private sector employees is wage.

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### INTRODUCTION

The leading criteria for the performance evaluation of staff in an organisation are doubtlessly their efficiency. Efficiency performance can be formulated as skills elevated by motivation. Naturally, task compatible skills are built up with aptitude, knowledge, and coherent use of resources. It is well known fact that the organisation's efficiency and performance is directly related with motivation of employees. That's why the management has the responsibility to define and exercise instruments to correctly motivate the employees. Motivation is defined as "Willing behaviour and contributions of staff to achieve a given task" and basic instruments studied are economic rewards, psychosocial and organisational and management incentives. Motivation Theories and scientific research and studies can be referred for defining the Motivational Instruments. Existence of Universal Instruments to trigger motivation is yet far away from a 'one size fits all' measure to serve to each individual and every organisation. Managements face the challenge to adopt and implement varied matching Motivational Instruments to each and every. In this way acknowledging major motivation theories is significant in defining motivational measures. These are called Content Theories of Motivation and Process Theories of Motivation.

Before proceeds further we are going through some of the motivational theories stated by the eminent personalities as follows:

### CONTENT THEORIES

Contents theories attempt to explain what drives individuals to act in a certain manner based on a universal understanding that all human beings have needs, which pursue them to satisfy these needs lead to motivation.

**Abraham Maslow's Hierarchy of Needs Theory** states that a person get motivated when the following needs get satisfied

- I. Physiological Needs
- II. Safety Needs
- III. Social and Belongingness Needs
- IV. Esteem Needs
- V. Self Actualization

Abraham Maslow's "Hierarchy of Needs Theory" advocates that once reached a basic level, a person can be motivated to access the next level. Physiological needs are at the bottom of this scale while Self Actualization is at the top.

On the other had **Herzberg's Two-Factor Theory** states that the satisfaction of a person is based on the two factors i.e. motivators and hygiene Factors a brief discussion about these factors is given below.

**Motivators** (achievement, recognition, responsibility, opportunity for advancement or promotion, challenging work, and potential for personal growth)

**Hygiene factors** (pay, technical supervision, working conditions, company policies, administration, and procedures, interpersonal relationships with peers, supervisors, and subordinates, status, and security)

According to Herzberg, positive hygiene factors are accepted as they are by the employees and this can be motivating but not necessarily at all times.

**Alderfer's ERG theory** is an extension of Maslow's hierarchy of needs. Alderfer identified three categories of needs. Alderfer suggested that needs could be classified into three categories, rather than five. These three types of needs are existence, relatedness and growth.

If the ERG theory holds, then unlike with Maslow's theory, managers must recognize that an employee has multiple needs to satisfy simultaneously.

McClelland and Alderfer's Motivation Theories work similar to Abraham Maslow's Theory of Hierarchy of Needs. Satisfying the needs for motivation follows jumping to new level of motivation.

### PROCESS THEORIES OF MOTIVATION

Process theories of motivation concentrate on how employee's needs influence their own behaviour. In this perspective, "need" accounts for one component of the process through which individuals decides how to behave.

### LOCKE EDWIN GOAL SETTING THEORY

Locke Edwin suggests the Goal setting theory of motivation. The theory emerged from the idea of expectancy theory where a goal setting is a vital tool, which acts as an "immediate regulator of human action" that leads employees towards achieving the goal. "Goals affect performance by directing attention, mobilizing effort, increasing persistence, and motivating strategy development". Setting a specific and challenging goal caused higher performance than no or not specific or did simple goal. Setting goal generally does not include motivational needs but enforce employees to be more productive to achieve the task they have given and as an obvious result it leads to some reward. In the case of complex tasks, however, this theory is not effective and if the goal set for individuals is not align with the goals of the organization, conflict may crop up, which causes lack of motivation and ultimately impair individuals' performance.

### ADAM'S EQUITY THEORY

The equity theory (1963) of motivation presumes that an individual is strongly motivated by a balanced result of input (such as effort, loyalty, hard work, commitment, skill, ability, adaptability, tolerance, determination, personal sacrifice, etc.) and output (such as pay, salary, other benefits, recognition, reputation, praise and thanks, promotion, etc.) i.e. what an employee contributes and receives against of it. The theory is used to explain how employees judge the fairness of rewards received in proportion to

resources invested for completing a task by assessing one's own investment reward ratio, and comparing it against of another colleague holding a similar position.

### COGNITIVE EVALUATION THEORY

This theory proposes that the introduction of extrinsic rewards, such as pay, tends to decrease overall motivation. This is because the intrinsic reward of the work itself declines in the face of extrinsic rewards.

One of the implications of this theory is that a truism in management, pay or other extrinsic rewards should be tied to effective performance, is false. This technique will actually decrease the internal satisfaction of the employee receives from doing that job. This is not a hard and fast rule, however. That type of rewards makes a difference. Verbal rewards are intrinsic and can increase intrinsic motivation, while tangible rewards, such as pay, undermine it. Managers should provide intrinsic rewards in addition to any extrinsic incentives in order to make employees more motivated.

### VROOM'S EXPECTANCY THEORY

This widely accepted explanation of motivation deals with a coupling of three beliefs.

Valence x expectancy x instrumentality = motivation

Valence (Reward) = the amount of desire for a goal (What is the reward?)

Expectancy (Performance)= the strength of belief that work related effort will result in the completion of the task (How hard will I have to work to reach the goal?)

Instrumentality (Belief) = the belief that the reward will be received once that task is completed (will they notice the effort I put forth?)

The three key relationships are-

- A. Effort-performance Relationship- it is defined as the probability perceived by the individual that exerting a given amount of effort will lead to successful performance. If the employee believes that effort will not result in successful performance or that the performance will not be accurately reflected in the performance appraisal, little effort will be expended.
- B. Performance- Reward Relationship- the degree to which the individual believes that performing at a particular level will lead to the attainment of a desired outcome. Unless the relationship between strong performance appraisals and rewards is clear, little effort will be expended to achieve those high appraisal marks.
- C. Reward-Personal goals relationship- the degree to which organizational rewards satisfy an individual's personal goals or needs and the attractiveness of those potential rewards for the individual. Unless organizational rewards are tailored to individual employee wants and needs, they will not be very motivational and little effort will be expended.

### DATA ANALYSIS

This research was conducted keeping in mind the preferences of both the sector employee with regard to their motivational factor. The idea was to get their ranking pattern for the various motivational factors. The outcome of this is discussed in detail.

**TABLE SHOWING MOTIVATIONAL FACTORS AND RANKING GIVEN AS PER THE EMPLOYEES OF PUBLIC AND PRIVATE SECTOR EMPLOYEE**

| S.No | Factors                                   | Ranking Given on the bases of Motivation |                  |                            |                  |
|------|---|--|------------------|----------------------------|------------------|
|      |   | Public Insurance Employee                | Sector Companies | Private Insurance Employee | Sector Companies |
| 1.   | Fair Wages and Promotion Factor           | 1  |                  | 1                          |                  |
| 2    | Health and other Services Provided Factor | 6  |                  | 8                          |                  |
| 3    | Work Environment Factor                   | 2  |                  | 3                          |                  |

|    |   |    |    |
|----|---|----|----|
| 4  | Job Specifications Factor                                   | 7  | 5  |
| 5  | Prestige and Respect of the Organisation Factor             | 3  | 9  |
| 6  | Prestige within the Organisation and Work Conditions Factor | 4  | 4  |
| 7  | Management Policies and Style Factor                        | 9  | 2  |
| 8  | Non-cash Benefits (except wages) Factor                     | 5  | 7  |
| 9  | Sports and other activities provided Factor                 | 8  | 6  |
| 10 | Setting and Defining Goals                                  | 10 | 10 |

The above table is showing the public and private sector employee's preference for the motivational factor. In this motivational factor regarding fair wages and promotion factor is just common in both the cases. But as far as the second ranking is concerned there is a huge difference on the one hand public sector employee get motivated with the work environment in the organisation and on the other hand private sector Insurance Companies employee get influenced with the Management Policies and Style Factor of the organisation. Prestige within the Organisation and Work Conditions Factor is a common ranking factor for both the employee as this brings them motivated by putting in their mind that they are working in such and such organisation. Health and other Services Provided Factor is a good motivational factor and they ranked it at six on the other hand it is not that much fascinating in case of private sector employee as such kind of facilities is rarely given by these organisation and if given it is not up to the mark, that's why it is not that much motivating in their case. The most interesting fact which discovered during research is that both sector employees give least preference to the Setting and Defining Goals factor because in both type of organisations the work culture is same. Management policy and style factor is considered the second motivational factor for the private sector employees.

If we go through the Factors motivating Insurance Companies employees in the public sector to the private sector employee we find the universality of the research. At some point their preferences are deviating from each other but the prime motivator seems to be the same.

### CONCLUSION

Motivation of the employees is a necessity for good performance in all organisations. This study attempts to define the Motivating Factors for Insurance Companies employees. The study defines the factor in following order of significance; Factor

- 1-Fair Wages and Promotion Factor
- 2- Health and other Services Provided Factor
- 3- Work Environment Factor
- 4- Job Specifications Factor
- 5-Prestige and Respect of the Organisation Factor
- 6- Prestige within the Organisation and Work Conditions Factor
- 7- Management Policies and Style Factor
- 8- Non-cash Benefits (except wages) Factor
- 9- Sports and other activities provided Factor
- 10- Setting and Defining Goals

In Public sector Insurance Companies average Insurance Companies employee is more motivated by Fair Wages and Promotion Policies followed by Health and other Services provided. This is contrary to common literature where work environment and job specifications are leading motivation factors. The only factor, which stays constant in significance in demographic specifications, is also Fair Wages and Promotion Policies. This verifies that fair wages and promotion policies must be implemented with

priority to support the motivation of the employees. The most significant outcome of the research is to relate the Fair Wages and Promotion with the motivation theories as follows;

We can reason the behaviour of low-income employees with Abraham Maslow's Hierarchy of Needs Approach due to financial difficulties they constantly face. Defining Fair Wages and Promotion Factor as number 1 is related with Expectation to be awarded and award expectations, Vroom's Expectancy Theory and Equity Theory Factors other than Fair Wages and Promotion Factor can be related with other Motivation Theories except the Reinforcement Theory. Comparing which Motivation Factors effect North Cyprus and Finnish Insurance Companies employees exposes that both are most motivated by wages.

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