

CHAPTER 3

RESEARCH METHODOLOGY

This chapter outlines the methodology used in the study. In doing so, the data collection procedure, sampling and survey instrument design, the selection of the measurement scales and data analysis will be discussed. Life Insurance was selected for the research as it meets several criteria.

- (i) It is an important service industry with purchases exceeding RM951.6 million in new premiums in 1993 (As indicated in the 31st Annual Report of the Director General of Insurance (DGI), Malaysia)
- (ii) It provides a variety of sales situations that require insurance agents to go through the selling process in order to be effective.
- (iii) The requirements of salespeople who differ in effectiveness. This is satisfied in life insurance selling where, despite highly successful and effective agents, 80% of the agents will quit their jobs within their first three years (LIMRA), 1983: Seligman and Schulman, 1986), and

questions about their professional competency have arisen (Anderson, 1980; Horn, 1978)

DATA COLLECTION

Primary data collection was employed in this study. The active method was the querying of respondents through survey questionnaires which were sent to life insurance companies. The life agents were asked to return the completed questionnaires to a designated address, using the self-addressed and stamped envelopes provided for the purpose.

To achieve better generalisability of the research results, 50 sets of questionnaires were sent to each company. The study was undisguised and the respondents informed of the purpose of the study (See Appendix A).

SAMPLING DESIGN

The target population were life insurance agents of composite insurance companies. Agents who did not have more than six months with the company were excluded (as their participation in the research may have been questionable). Thus, a minimum criteria was imposed ie, all respondents must

have at least six months of sales experience with the company and to have successfully completed at least one sale. This will prevent arbitrary responses and alleviate the possibility that lack of experience per se would furnish an alternative explanation for the results.

A simple random sampling technique was employed. Nine insurance companies were randomly selected from the insurance directory. A total of 450 questionnaires were sent out to obtain the required information.

SURVEY INSTRUMENT DESIGN & MEASUREMENT SCALES

There were 2 parts to the 20 minutes survey questionnaire (Appendix A)

- (i) Part I : Sales process component variables ie. prospecting, approach, fact-finding, solution, presentation and close, technical competency and sales follow through & policy delivery.
- (ii) Part II: Demographics

In the study, constructs of the Sales Process were measured as follows :-

- Prospecting
- Approach
- Fact-finding
- Solution, Presentation & Close
- Technical Competency
- Sales follow through & policy delivery

The measurement scales for the construct were taken from the Life Insurance Marketing & Research Association studies.(LIMRA)

In part I, the questionnaire consisted of 83 items with a Likert-type response scale. Respondents were asked to circle the number that best reflected their action or activity. The response scale ranged from "1" for Never to "5" for Always.

The variables obtained were interval scaled so that computation of means and standard deviations, the use of parametric statistical tests and the application of multivariate techniques could be adopted.

RELIABILITY

The constructs were subjected to a test for reliability. Reliability can be defined as the degree to which the scales are free from error and therefore yield consistent results. Reliability is a necessary but not a sufficient condition for the validity of a scale. In addition, unreliable scales attenuate or lessen the correlation between them. Therefore, if reliability is not assessed and the correlation between the scales of two constructs is low, the researcher has no way of knowing whether there is simply little relationship between the two constructs or whether the scales are unreliable.

In this study, the internal consistency method was used to assess the reliability of the scales and Cronbach's alpha is the mean reliability coefficient for all possible ways of splitting a set of items into half.

Davis and Consenza, (1988) emphasized that while a perfectly reliable measure is usually never attainable, one should strive for the best measure possible. The value can range from 0 to 1.0 with 1.0 being a measure which would be perfectly reliable and 0 being perfectly unreliable. Nunnally's guideline (Davis

and Consenza, 1988) on the necessary value of alpha of a scale, depended on its intended usage:

| Alpha | Usage |
|---------------|--|
| 0.5 to 0.6 | Exploratory research |
| 0.8 | Basic research |
| 0.9 or better | Applied research where important decisions are to be made based on specific test scores. |

As this study is essentially exploratory in nature, a minimum alpha value of 0.5 was adopted.

THE ANALYSES OF THE DATA COLLECTED

Once the necessary data were collected, the data were analyzed and summarized in a readable and easily interpretable form. The Statistical Package for the Social Sciences (SPSS) programme was utilized to summarize the data.

In this study, three categories of the analytical methods were employed (Lehmann, 1989). They were:

- (i) Descriptive
- (ii) Relationship portrayal
- (iii) Effect assessment

EFFECT ASSESSMENT

Multiple regression is a statistical technique that assists researchers to find a linear composite of independent (predictor) variables that will compactly express the relationship between a dependent (criterion) variable and the set of predictors. In addition, if such a relationship can be found, multiple regression analysis helps answer the following questions:

- (i) How well can the criterion variable be predicted from the values of the linear composite?
- (ii) Which predictors are most important in accounting for variations in the criterion variable?

Therefore, multiple regression was conducted to determine the relationship between first year commission and the six constructs. First year commission was considered the dependent (criterion) variable and prospecting, approach, fact-finding, solution, presentation & close, technical competency and sales follow through and policy delivery were the independent (predictor) variables. The demographic data were also considered independent variables.

RELATIONSHIP PORTRAYAL

Cross-tabulation is a technique for analysing results by groups, categories, or classes. Its purpose is to allow the inspection and comparison of differences among groups. It also helps determine the type of relationship among groups. When cross-tabulating data from a survey, the calculation of percentages helps the researcher understand the nature of the relationship by making relative comparisons. The percentages should be computed in the direction of the independent variables ie. across the dependent variables.

Cross-tabulation was carried out to assess whether or not there is any significant relationship between first year commission and the predictor variables.

DESCRIPTIVE

Descriptive procedures make no assumptions about the data; they merely describe data. This study used tabulation, which simply reports the percentage of the time each answer was recorded. The study also used medians and percentiles to elicit additional information.