

The Impact of Promotion on Employee Motivation: A Study in Indian Insurance Sector

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Abstract:

Employee turnover has become really a great problem in many countries and is giving sleepless nights to human resource managers in the organizations. Acquiring and retaining talent has posed a major challenge in recent time. In the present paper, an attempt has been made to find out whether scope for career success and attainment of promotions lead to creating a better-motivated workforce. Employee motivation is determined in line with the expectancy theory of motivation. Employees (n = 90) working in the Insurance Sectors in India were the sample of the present study. The available data seem to present that there is a significant relationship ($p < 0.01$) between the number of promotions attained by an individual employee and their level of motivation. The present finding might provide a valuable insight in understanding employee behavior and should perhaps be taken into account while making a strategy for retaining employees in an organization.

Key Terms: *Employee Motivation, Expectancy theory, Promotion, Employee Retention, Organizational Commitment*

Introduction

In today's highly competitive business scenario, the most critical resource that an organization may ever need to have is the human resource. A firm can have a sustainable competitive advantage only when it possesses a unique human capital that is not only able to contribute towards adding value to the product or services rendered by the firm, but also is committed and loyal to the organization. Therefore, managers should always be concern on issues and problems faced by employee in

organizations. With the fierce market competition, it is difficult to find good people in the first place but retaining them in the firm and protecting them from poachers and head hunters are becoming a truly uphill task.

India and Insurance Industry

The service industry today has emerged as the most important sector particularly in the fast developing countries like India. It covers a wide range of activities, such as trading, transportation and communication, financial and insurance, real estate and business services, as well as community, social and personal services, including information technology. Indian insurance sector is likely to register unprecedented growth and attain a size of \$ 280 billion by 2020, in which the market share of private sector companies in the non-life insurance market rose from 15 per cent in FY04 to 56 per cent in FY21 (till April 2020). In life insurance segment, private players had a market share of 31.3 per cent in new business in FY20. The aforesaid findings are made by The Associated Chambers of Commerce and Industry of India (ASSOCHAM) on 'Indian insurance to be \$280 billion industry by 2019-20: Assocham'. According to them in the last couple of years, the insurance sector has grown by CAGR of around 22% (2010-2018) and the trend will emerge still better because of potential factor. Currently, the insurance sector size is estimated at Rs.19,56,920 crore (\$280 billion) by FY 2020.

Role of Motivation in Determining Employee Behaviour

Motivation is essentially a goal-directed behavior and may be defined as a process of search behavior that is characterized by intensity and persistence, which continues till the needs are at least reasonably well satisfied. The components of motivation typically include the following: arousal, maintenance and canalizing the behavior in a goal directed way.

Motivation had always been and is still the focus of many studies due to its crucial role in determining how human being choose to use their precious time and energy. According to Oosthuizen (2001), motivation is the reason behind any goal-directed behaviour of an individual, the belief being strongly shared by Houkes et al (2003) when they pointed out that it is the lack of motivation that might eventually lead to the decision of leaving the organization. In a longitudinal

study conducted by them, they found that the turnover intention is primarily predicted by unmet career expectations of the employees. Benson, J., & Brown, M. (2011) also found the role of employee motivation to be significantly affecting their job behaviour including intention to leave, particularly in knowledge-based industries of today. Oosthuizen (2000), also strongly believes that one of the most important roles of a manager is not only to motivate the employees successfully but also influencing their job behaviour in order to achieve the organisational goal more efficiently and effectively. Clearly, to attain these, managers must try to understand the desires of their employees so that they can be motivated in the best possible way (Amos et. al., 2004).

Now, what is motivation? Researchers and practicing managers alike have tried to find answer to the questions ‘Why people behave the way they behave?’ and ‘Why does an individual choose a particular course of action over other available alternatives?’ from time immemorial. To obtain an answer to these questions one must try to understand the specific levels of motivation of the person concerned at a given point of time. Motivation may be cogently defined as *the process of arousing and sustaining goal directed behaviour*. The concept of motivation thus implies that motivation provides an individual with both direction and intention to behave in such a way as to attain a desirable objective (Mukherjee, 2007). Oosthuizen (2001) argues that any comprehensive theory of motivation should be able to explain how human behaviour is guided or focussed in accordance to their levels of motivation.

Vroom’s Expectancy Theory or VIE Theory of Work Motivation

Expectancy theory of human motivation is one of the most important process theories of motivation, which was originally propounded by Vroom (1964) to explain the extreme complex nature of human motivation specifically in the context of work organizations. According to the Expectancy theory of Victor Vroom (1964), each individual solves a personal equation before choosing a specific course of action. If we could get a clue as to the various components of the ‘personal equation’ of an individual employee with a reasonable level of accuracy, we would surely be able to plot his future course of action. Thus, an individual employee’s decision to continue or leave an organization may well be understood if we could identify the various components of his subjective ‘personal equation’, the most important of which is what is called valence. This refers to an individual’s perceived favorableness towards any possible organizational outcome.

According to Vroom, a multiplicative combination of valence, instrumentality and expectancy determine the motivational force of an individual. Expressed symbolically,

$$M F = E \times \sum [I \times V] \dots\dots\dots \text{Equation (1)},$$

where MF is the motivational force or the willingness to expend effort, V is the valence, I is the instrumentality and E is the expectancy. The implication of the multiplicative model of motivational force is that not a single variable, but all the three variables are important in determining the motivation of a person. Thus, no matter how desirable a particular outcome is (say, promotion or high grade in examination) for an individual (valence), the resultant force would be low if the individual does not believe that his working hard (a first-order outcome) would lead to the particular sought-after outcome, say, promotion, (instrumentality) or whether the individual is capable of attaining the required level of performance (expectancy).

Employee Work Motivation, Career Success and Promotion

Available research evidence (Khan, 1958; Miller & Form, 1964) indicates that employees usually look for a score of things from their jobs which include stable employment, job security, opportunities for promotions and satisfactory compensations, to name a few only, though not necessarily in the same order. Opportunities for promotion is usually viewed as one of the most sought after outcomes in the work situation. According to (Gerhart & Milkovich, 1989) Promotions is not only be a major determinant in overall salary growth of the employees over time but also is an opportunity to learn and take more responsibilities (Milkovich & Newman, 1993). Thus, employees achieving more number of promotions in their job would not only earn higher salary but also would have less tendency of leaving the organization. Stumpf and Dawley (1981) also found a significant and negative relationship existing between promotions and employee turnover.

Available research findings on turnover intention suggest that, various factors associated to work related areas, particularly conditions of employment (e.g. salary, career opportunities) are important causes of turnover intention (Inverson & Roy, 1994; Rosse & Miller, 1984) of employees. Campion

(1991) in his research found that dissatisfaction with the outcomes of the several aspects of work, e.g. lack of promotion, supervision, work schedule were also found to be highly correlated with employee turnover. When employees' starts thinking their career opportunities within the organization as limited or absent and have a feeling of unmet career expectations, turnover to an alternative job with better career opportunities may thus be an attractive solution.

There are also reasons to believe that promotions can very well lead to increasing employee movement. Within the firm, promotions are used as signals of ability of the employee (Forbes & Wertheim, 1995). Armstrong (2001) revealed in his research that people are motivated when they expect their performance is likely to lead to the achievement of a certain goal and a appreciated reward - one that satisfies their needs. Graham and Bennett (1995) also agree with this thought and reveal that career development involves higher status with more responsibilities which can take place in one organization or through movement between organizations but the prospect of career advancement always motivate employees to work hard and hard.

Nomura Research Institute Ltd (2005) also found out that employees (especially young people) get tremendously demotivated when they feel there is little chance of personal growth in their career.

They also agreed that progression in career and reward systems are the sources of motivation at the work place. It is, therefore, logical to believe that there may be a negative impact on motivation, job satisfaction and performance of the employees where their expectations for advancement are not met.

Different researchers have found out that employee motivation is always related to career success or number of promotions they received from the organization as well as career growth. We have also seen that career development involves higher status and responsibilities which can always motivate employees to work hard.

Objective of the present study:

The objectives of the present study are as follows: To find out what employees, engaged in the Insurance industries in India, look for from their jobs

1. To determine the level of employee motivational force following Vroom's (1964) VIE model

2. To determine whether there exists any significant relationship between the number of promotions attained by the employees in the Insurance sector and their levels of motivational force as identified by VIE model

Accordingly the following null hypothesis (H_1) will be tested in the present study:

Hypothesis 1: Employee Motivation is not significantly related to the number of Promotions attained by individual.

Methodology:

Sample

The subjects of the present study were 90 employees from different industries in the Insurance sectors. In the following section a brief description of the sample ($n = 90$) of the present study is given.

Gender

Thus, as shown in Exhibit 1, hundred percent of the present sample in Insurance Industry is found to be male, and female percentage is very low in this particular sector as per our findings.

Exhibit 1: Percentage of Male and Female Distribution in Insurance Industry

Percentage of Respondents		
Male	Female	Total
100	0	100

Age

As shown in Exhibit 2 , we have found that 43.33% of respondents are there in the young age group (23-30 years) and the biggest group of people lies in the middle aged group (31-40 years) with 56.66% of respondents.

Exhibit 2: Mean and Standard Deviation of Age (in years) in Insurance Industry

Age of the Sample	
Mean (in Years)	31.26
Standard Deviation	3.41

Exhibit 3: Percentage of Age Distribution of the Sample in Insurance Industry

Percentage of Sample Having	
Young	Middle Aged
43.33	56.66

The sample of the present study in this industry is thus found to be rather middle aged, with an average age within thirty one years (Exhibit 3).

Educational Qualification

As shown in Exhibit 4, it is apparent that the majority of the respondents (about 62.22 %) are having 17 years of education with a Management Qualification, only 33.33% respondents having 15 years of education that means people with Graduation degree only. And 4.44% respondents are having 16 years of education with a B.E/B. Tech degree.

Exhibit 4: Percentage of the Sample Having Different Levels of Educational Qualification (in years) in Insurance Industry

Percentage of Sample Having		
B.Sc/BA/B.Com/Automobile Diploma etc	B.E/B.Tech	MBA / PGDBA
33.33	4.44	62.22

So we can conclude that in Insurance Sector most of the people are having a Post-Graduate level of qualification and also a good number of respondents are there with only Graduation level of qualification.

Work Experience

As shown in Exhibit 5 (and presented in Figure 4), the highest number of respondents (61.12%) falls under Group 3 followed by Group 2 (32.22%). Group 1 has only 2.22% of the respondents while only 4.45% people are left in Group 4 with more than ten years of experience.

Exhibit 5: Percentage of the Sample Having Different Levels of Experience (Years of Service) in Insurance Industry

Percentage of Sample Having			
0.6-2 Years	2.5-5 Years	5.5-10 Years	10+ Years
2.22	32.22	61.12	4.45

Thus, it can be found out that the majority of the present sample are found to have less than five years experience, while people having experience beyond ten odd years and more are found to be very less.

Number of Promotions (Attained in last 5 Years)

As shown in Exhibit 6, the highest number of people 43.33% having no Promotion which is followed by the second group represents respondents with 1 promotion only and the size is 36.66%. The third group is people with 2 promotions and here we have 20% respondents.

Exhibit 6: Mean and Standard Deviation of Number of Promotions in Insurance Industry

No of Promotions of the Sample	
Mean (in Years)	0.76
Standard Deviation	0.76

Exhibit 7: Percentage of the Sample Having Different Number of Promotions in Insurance Industry

Percentage of No of Promotions of the Sample		
No Promotions	One Promotion	Two Promotions
43.33	36.66	20

So we can say that we can see a very slow type of promotional policy in the Insurance Industries. And if we go for the average number of promotions of the employee in this particular sector we can see that the average number of promotion is not even one in this sector (Exhibit 6).

Employee Tenure in the present Job (in Years)

As shown in Exhibit 7 and 8, (43.33%) of respondents are found to have a maximum of two years of tenure in their present job. 53.33% of the respondents are found to have up to five years of tenure in the present job and the size is while people being in the present job for more than five years are found to very few and that is 3.34% only.

Exhibit 8: Mean and Standard Deviation of Tenure (in the Present Job) of the sample in Insurance Industry

Tenure in the Present Job of the Sample	
Mean (in Years)	2.87
Standard Deviation	1.32

Exhibit 9: Percentage of the Sample Having Different Tenure (in Present Job) in Insurance Industry

Percentage of Sample Having Tenure in the Present Job of		
0.6-2 Years	2.5-5 Years	5+ Years
43.33	53.33	3.34

On an average, the participants of the present study are found to be in their present job for around three years only (Exhibit 9).

Tool

A standardized 14-item questionnaire (What Do You Look for in a Job?), developed by Udai Pareek (2002), was administered to find out what exactly the employees look for in their jobs. The respondents were required to simply rank the items in terms of the importance of each of these items as perceived by them, the highest rank being one and the lowest being fourteen.

After thus identifying the priority of the outcomes for the employees, they then asked to answer the following two questions:

- What, according to you, is the relationship between your present level of performance and the attainment of these outcomes?
- What, according to you, is your chance of putting in your 100% effort in your job?

Method of Data Collection

The questionnaire was administered individually to the subjects and their responses to the questionnaire items were duly recorded.

Statistical Tools

The Statistical Package for the Social Sciences (SPSS) version 19 was utilised to analyse the data in. The upper level of statistical significance for null hypothesis testing was set at 5%.

Findings of the Present Study:

Table 1: Mean and Standard Deviation of Employee Motivational Force (as determined by the Multiplicative Model)

Employee Motivational Force (n = 90)	
Mean	47.70
Standard Deviation	12.90

Table 2: Pearson Correlation Coefficient between Employee Motivational Force and Number of Promotions Attained by the Employee on the Present Job (n = 90)

Variables	Df	Correlation Coefficient
1. Employee Motivational Force	88	0.468**
2. Number of Promotions Attained		

** p< 0.01

As is evident from Table 2 above, there exists a significant positive relationship between Employee Motivational Force and the number of promotions attained by them in their current job.

Table 3: ANOVA for Equality of Number of Promotions Attained by the Employees and Employee Motivational Force

	Sum of Squares	Df	Mean Square	F
Between Groups	3321.777	2	1660.889	12.567**
Within Groups	11498.162	87	132.163	
Total	14819.940	89		

** p<0.01

As is seen in Table 3, between groups variability due to number of promotion is 3321.777 while the within group variability arising due to random error is 11498.162. The resultant F value (12.567) is found to be significant at 0.01 level (p<0.000). Thus it is evident that there is a significant difference between the motivational forces of the employees attaining different number of promotions in their job. Now to understand the relative degree of employee motivational forces across different number of promotions, we have to conduct a further analysis to derive the required multiple comparisons as presented in Table 4 below.

Table 4: Post Hoc: Multiple Comparisons between Employees Motivational Forces based on Different No of Promotions

(I) No. of Promotions	(J) No. of Promotions	Mean Difference (I-J)	p- Value
0	1	-9.55233**	.001
	2	-15.21385**	.000
1	0	9.55233**	.001
	2	-5.66152	.096
2	0	15.21385**	.000
	1	5.66152	.096

Note:

- 0- No Promotion
- 1- Promotion
- 2- 2 Promotions

** The mean difference is significant at the 0.01 level.

Post Hoc test in above table shows that there is a significant mean difference in the work motivation levels of employees based on their number of promotions. According to Post Hoc’s methods there is a strong confirmation of a significant difference in the mean levels between employees with no promotion and with both one and two promotions as we can see in both the cases the mean difference is highly significant ($p < .01$). There is also significant (moderate) mean difference between one and two number of promotions of the employees .So from the above mentioned table we can clearly conclude that employee’s work motivation level directly varies with number of promotions.

Discussion and Conclusion

Table 1 shows the mean and standard deviation of employee motivational force, as determined by the multiplicative model. This seems to indicate that employees engaged in the Insurance sector in India are only moderately motivated (47.70). One of the most plausible reasons behind this could very well be the relatively less scope for promotions in their job, average number of promotions attained by the employees being only 0.76 (refer to Exhibit 6). This is, among other factors, due to

relatively flatter organizational structure prevalent in this new age sector of industry with fewer levels that stunts the possibility of vertical growth. The resultant frustration seems to be reflected in the high level of employee turnover prevalent in this sector with the average tenure being as less as around 3 years only (refer to Exhibit 8).

The study has been conducted on the employees of Insurance Industry. The sample of the study is professionally educated (with the majority having Management Qualification). They are rather young in age (with an average age being around thirty), and all are male (hundred percent). (Please refer to the Exhibits 1 and 2).

The next phase of the present study aimed at checking the possible impact of number of promotions attained by the individual employee on their levels of motivational force, as determined by the VIE model of employee motivation and according to Equation 1. The findings of the present study shows a significant ($p < 0.01$) positive relationship between employee motivation and the number of promotions attained by the employees in their current job (refer to Tables 2, 3 and 4). Thus as it appears from the available data, the number of promotions achieved by the employee has indeed a positive effect on an employee's motivational force. The findings of the present study thus reject the Null Hypothesis, that is, there is no relation between number of promotions earned by the employees and their motivational force. We can thus very well accept the alternative hypothesis and might say that the number of promotions earned by the employee is positively related to the levels of employee motivational force.

Available research in this area has also indicated a strong linkage between employee motivation and their willingness to stay in the job for a longer period of time (Houkes et al, 2003; Stumpf and Dawley, 1981). Porter and Lawler (1968) had also noted that if employees' needs (of which promotion is a significant one), are not adequately met in the organization, this would decrease their motivational force considerably, and in turn, the organization might very well lose the employee.

Results emanating from this research indicate that a statistically significant and direct correlation exists between Promotion and Motivation. Robbins (2001) asserts in his study that promotions

create the opportunity for personal growth, increased levels of responsibility and an increase on social standing, and job satisfaction.

A number of researchers have supported the opinion that job satisfaction is strongly related to opportunities for promotion (Pergamit & Veum, 1999; Sclafane,1999). As per our research also we can see that Promotion and Motivation is having a direct and significant relationship. That means when promotion is high motivation is also high and as well as organizational commitment is also high.

Thus, the findings of the present study seem to suggest that, taken as a whole, the employees in the Insurance sector in India have a rather moderate level of motivation, and as a consequence, probably a higher level of dissatisfaction. This seems to explain the phenomenon of the high level of employee turnover prevalent in this sector as reflected in the low average job tenure (< 3 years) in of these people (refer to Exhibit 8). One of the important reasons behind this may very well be the lack of employees' future growth prospect and career advancement, as the average number of promotions attained by the employees is found to be too less (Exhibit 6). This seems to confirm the popular belief that employees in this sector are more of 'rolling stones' with a minimum possibility of 'gathering moss on them'. There seems to be a continuous flux all the time in this particular sector. The lack of job security in this sector, which is often triggered by factors beyond the direct control of the people in this country alone, is naturally a serious concern for the employees for rather obvious reasons. To avoid such a contingency, people seem to be always on the move and prefer changing the job at the drop of a hat rather than becoming redundant. If the prospect of career growth seems to be blocked people would rather prefer to change the job and move out.

The existence of a significant positive relationship between number of promotions attained by the employees and their levels of motivational force, as is found in the present study, seems to account for the lack of motivation (47.70) as is shown in Table 1, in the Insurance sector that has been traditionally linked with employee attrition rates. So the present findings may be seen to provide a valuable insight into the retention policy of the valued employees in a firm.

Conclusion

Organisations across the board are conceding to the noteworthy opportunity to improve the return on investments in their human resources, by aligning strategies for employee motivation with business strategy and enhancing the value delivered to and by employees. This has been identified as critical to the ability of the organisation to firstly attract, but also most importantly retaining critical skills and adding to the organisation's competitiveness in the global market.

So how employees are motivated and that the organisational strategies developed should be cognoscente of the fact that the strategies should have an important motivational impact on the employees of the organization and help to retain and sustain the valuable assets of the firm.

Recommendation

Though changing the preference for various organizational outcomes (the valence) for the matured adult employee population would not be normally possible, what the organization could aim for is to strengthen the perception of instrumentality through revising the organizational policies and bringing in more transparency in the system. Secondly, it should also attempt to enhance the feeling of self-efficacy of the employees through proper exposure, experience to handle difficult and challenging projects and providing with adequate training to enhance their skill level and expertise.

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