

STUDYING THE RELATIONSHIP BETWEEN MANAGERS' EDUCATION OF INSURANCE COMPANIES WITH THEIR PERFORMANCE USING BALANCED ASSESSMENT MODEL

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ABSTRACT: One of the features of managers which can play a vital role in their professional capacity and, as a result, the performance of sectors under their management is specialized education. If a manager is educated in the related field of industry, he will have potential awareness of management actions which will organize success. In this regard, the insurance industry as an industry in which professional expertise, due to specific services conditions that the industry offers, it needs more relevant educated managers to succeed in the current competitive market in the country. Hence, in the present study, the relationship between the educations of the managers of insurance companies their performance has been considered, and the major problem of the research is explaining the relationship in terms of the insurance industry in Iran. The sample consisted of nine companies active in the insurance industry listed in stock. The period of the study is 4 years, from 2009 to 2012. In conclusion, findings suggest that there is a significant correlation between the education of the managers of insurance companies with their performance from a financial perspective and how internal processes are done. In other words, the managers with relevant education in insurance and higher education could strengthen the performance of insurance companies financially and do internal processes. While, consistent with findings, there was no significant relationship between the related education of managers of insurance companies and their performance in terms of innovation, training, and customer satisfaction criteria. It seems that the expertise of the managers of sample companies is potentially more in financial and insurance activities management, and their abilities in these areas reflect the favorable role of education in the success of human resource.

Keywords: related education, managers of insurance companies, financial performance, customer satisfaction,

INTRODUCTION

Guiding the organization towards the future is the main factor of success, technology, and organizational capabilities, and competition is constantly aggravated simply by monitoring and controlling the financial measures of the organization which is impossible. But managers, to succeed in a competitive situation, need considering the performance of organization and factors affecting the promotion. One of the variables that could potentially affect the structural performance of a profit-making unit is the characteristics of managers because managers are supposed to direct resources of the company in line with its objectives and their potential characteristics can impact on doing the duties. One characteristic of the directors is their level of education and the relevance of these

studies to the field of activity that is considered in the present study.

STATEMENT OF THE PROBLEM

The empirical evidence determines the factors affecting the performance of beneficial and service sectors. Most research focuses on external factors such as economic conditions, accessing financing, and the level of competition in the market. The special features of manager are factors that could potentially affect on the company's performance and efficiency. For example, the professional abilities of managers and their experience in the industry are factors that may improve their performance. One feature of managers that can play a vital role in their professional capabilities and, as a result, the performance of sectors under their management is specialized education. If

manager is educated about his field oin industry, he will have potential awareness about management actions which will cause the success of the company. In this regard, the insurance industry, as an industry in which professional expertise, due to specific services conditions which it offers, in is highly necessary to have managers with relevant education to succeed in the current competitive market in the country. Hence, in the present study, the relationship between the education of the managers of insurance companies with their performance is considered, and a major problem of the research is explaining this relationship in terms of the insurance industry in Iran.

LITERATURE REVIEW

Merel (2009) did a research on the application of balanced assessment model as strategic management tools in insurance companies, and concluded that balanced assessment model provides appropriate information for management which, in addition to historical financial instruments, focuses on non-financial aspects. In addition, it focuses on acquiring and evaluating performance using balanced assessment model aspects (financial, customer, internal process, innovation, and education).

Li and Yel (2009) studied the relationship between information technology and organizational performance in the Board. The findings showed that there is significant relationship between information technology and the efficiency of approaches and decisions by the Board and increasing the understanding of the company from its active environment and its effects on intensifying the effects of information technology on organizational performance.

Bhagat et al (2010) studied the impact of managers' education on their tenure and efficiency. Their results showed that the level of education had a significant role in the tenure of board members, and, in general, managers with poor performance, regardless of education level, will be replaced. But for the selection of new managers, education is considered a benchmark.

Erickson and colleagues (2011) examined the relationship between the expertise of the Board with Canadian companies' value. In their study, they used the ratio of Cation to measure the value of the company and focused on the special characteristics and education level of the board members. Their results showed that the board with accounting and financial knowledge has efficient and effective supervision on the management of company and can potentially increase the value of the company.

Mahdavi (2013) researched on the application of the balanced assessment model in the assessment of performance and financial management development of the organization. The results showed that when this method is entirely established on an organization, strategic planning, which is often seen as a scientific curriculum exercise change into an operational program in the heart of the organization.

RESEARCH HYPOTHESIS

The first hypothesis

There is a direct relationship between the related education of managers of insurance companies and their performance financially.

The second hypothesis

There is a direct relationship between the related education of managers of insurance companies and their performance regarding customer satisfaction.

The third hypothesis

There is a direct relationship between the related education of managers of insurance companies and their performance in terms of innovation and education.

The fourth hypothesis

There is a direct relationship between the related education of managers of insurance companies and their performance in terms of doing internal processes.

RESEARCH VARIABLES AND HOW TO CALCULATE THEM

The dependent variable of this study is the performance of insurance companies in which, to calculate and estimate it, balanced assessment method is used.

FINANCIAL PERSPECTIVE

The financial criteria are taken into account based on the type of the activity of insurance companies.

1) Net Premiums Ratio to Special Value

$$NP = \frac{NP}{E}$$

Gross premium is the total amount of premiums relating to insurance cards issued by the insurance company plus premium reinsurance pass of risk of other insurance companies.

Especial value (E) is the sum of stock owners' rights.

2) The percentage of Change in Net Premium

$$\text{Change in Net Premium} = \frac{NP_n - NP_{n-1}}{NP_{n-1}} \times 100$$

The ratio is gained through net premiums of current year minus those of the previous year, divided by net premiums of the previous year.

3) INSURANCE INTEREST RATES TO INVESTMENT INCOME

$$EU = \frac{EU}{EI}$$

Insurance benefit (EU) is operation transaction of an insurance company.

Customer satisfaction: it is gained through measuring the market share, loss ratio, the number of representatives to the total number of insurance agencies in the country and the number of insurance policy issued in a year.

Internal Process Criteria: This criterion is gained through measuring earned income to the marketing costs, the net earning to the number of full-time employees, total revenue to total.

personnel and cost growth over the year. Cost means general and official expenses.

Innovation and Education Criteria: it is gained through measuring the percentages of representatives and staff education costs, the percentage of higher than bachelor personnel to total full-time personnel, the percentage of the number of insurance coverage to different kinds of letters in country and experience (Mistry and Balgobin, 2006).

INDEPENDENT VARIABLE (S)

The independent variable in the present research is education of the managers of insurance companies. In this study, education means having an associate diploma, bachelor or master degree in Insurance Management field. To measure the variable of education, the rate degree was used. The level of interest for the criterion is presented in the table below.

Table 1.

Unrelated Education				Related Education		
Diploma and lower	Associate diploma	Diploma and lower	Associate diploma	Diploma and lower	Associate diploma	Diploma and lower
0	1	0	1	0	1	0

Hypotheses Testing Method

Since the hypotheses of the present study are based on fundamental variables, the correlation coefficient is used to test them. It means that the correlation coefficient between each of the performance criteria is measured based on the balanced assessment with the education of managers' variable, and is decided on the basis of the significance of estimated coefficient about the hypotheses of the research.

$$H_0 : \rho = 0$$

$$H_0 : \rho \neq 0$$

In other words, the hypotheses are accepted when the correlation coefficient between basic variables of research is against zero (statistically significant).

THE FIRST HYPOTHESIS TEST RESULTS

The first hypothesis test results are presented in the following correlation matrix.

Table 2) the results of the first hypothesis testing

	Statistics	Managers' Education
Financial perspective	Pearson correlation coefficients	0.138
	Significance level	0.028

The results in Table 2 show that the Pearson correlation coefficient for the variables of managers' education with the financial perspective is 0.138 and a significance level of 0.028 which is less than 0.05 (test error). These findings suggest that there was a significant correlation among these variables during the study period. Accordingly, the research

hypothesis is accepted at the 95 percent confidence level.

THE SECOND HYPOTHESIS TEST RESULTS

The second hypothesis test results are presented in the following correlation matrix.

Table 3) the results of the second hypothesis testing

	Statistics	Managers' Education
Financial perspective	Spearman correlation coefficients	-0.226
	Significance level	0.191

The results in Table 3 show that the correlation coefficient for the variables of education of managers with the perspective of customer satisfaction is - 0.226 and a significance level of 0.191 which is higher than 0.05 (test error). These findings suggest that, statistically, there was no significant relationship between variables indicated above during the period of investigation. Accordingly, the second research

hypothesis is rejected at the 95 percent confidence level.

THE THIRD HYPOTHESIS TEST RESULTS

The third hypothesis test results are presented in the following correlation matrix.

Table 4) the results of the third hypothesis testing

	Statistics	Managers' Education
Innovation and Education	Pearson correlation coefficients	0.076
	Significance level	0.665

The results in Table 4 show that the correlation coefficient for the variables of managers' education with innovation and learning perspective is 0.076 and a significance level of 0.665 that is higher than 0.05 (test error). These findings suggest that, statistically, there was no significant relationship among these variables

during the study period. Accordingly, the third hypothesis of the study is rejected at 95 percent.

THE FOURTH HYPOTHESIS TEST RESULTS

The fourth hypothesis test results are presented in the following correlation matrix.

Table 5) the results of testing the fourth hypothesis

	Statistics	Managers' Education
How to do the internal processes	Spearman correlation coefficients	0.238
	Significance level	0.008

The results presented in Table 5 show that the Pearson correlation coefficient for the variables of managers' education with the perspective of how to do internal processes is 0.008 and 0.238 significance level which is less than 0.05 (test error). These findings suggest that there was a significant correlation among these variables during the study period. Accordingly, the fourth research hypothesis is accepted at the 95 percent confidence level.

this variable partially reflect the financial performance of companies. In this regard, paying attention to internal processes is paying attention to financial performance, and, according to the previous findings of research, higher education of managers of insurance companies, can improve financial measures.

PRACTICAL RECOMMENDATIONS EMERGED FROM THE RESEARCH

DISCUSSION AND CONCLUSION

It is argued that a direct relationship between managers' education with financial measures may be potentially affected by the role of managers in reported profits by companies. This means that managers with higher education, according to their abilities in resource management as well as skill in applying the methods to report the income improve the financial performance. Also, according to the concept of internal processes, one can find that

- 1) Based on the findings of the first hypothesis in which there is a direct correlation between the related educations of managers of insurance companies with their performance, the owners of profited sectors are recommended to consider the level of managers' education, especially related education, as one of the most important criteria in selecting managers.
- 2) Based on the findings of the second hypothesis in which, statistically, there is no significant correlation between the related educations of managers of insurance companies with their

performance regarding customer satisfaction, the managers of companies are recommended to strengthen their skills and expertise in attracting the satisfaction of customers and, specifically, look for some ways to keep the customers.

- 3) Based on the findings of the third hypothesis in which there is no significant correlation between the related educations of managers of insurance companies with their performance regarding innovation and education, the managers and staff of the profited sectors are recommended to try more in learning new science in the business of companies in offering innovation.
- 4) Based on the findings of the fourth hypothesis in which there is significant correlation between the related educations of managers of insurance companies with their performance regarding doing internal processes, the managers and owners of the profited sectors are recommended to pay attention to the results of the assessment of financial performance and use them to identify and eliminate the weaknesses in the management of company's resources.

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SUGGESTIONS FOR FUTURE RESEARCH

The researchers are recommended to focus on the following points for future research.

- 1) Investigating the relationship between the education of managers with the productivity of human resources in companies active in the insurance industry
- 2) Investigating the relationship between the level of education of in-service staff with the performance of companies active in the insurance industry based on balanced assessment.
- 3) Investigating the effect of the kind of industry on the relationship between education of managers with the performance of companies.

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