

# Effectiveness Versus Talent Management, is Francois Gagné right? Evidence from Life Insurance Market in Poland

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*Keywords: Competencies, effectiveness, life insurance, management, organization, talent*

## 1. Talent management

Two decades have elapsed since McKinsey consultants implemented the term “war for talent” and studies significantly exerted an impact on talent. During this time, talent management has become a subject of the scientific discourse and a key factor of managerial debate as well as organizational practice, human resources departments particularly [3].

According to the opinions claimed by Sparrow [4], talent is to be perceived through four “perspectives” as human capital that is embodied in the individual’s capability to categorize, a productive economic value, social capital, political capital and cultural capital. Additionally, an analysis of literature on human resources management justifies a statement that the manifestation of talent in the working environment is determined not only by external factors but also by concealed, evolving and intervention components which, according to Scullion and Collings [4] also a significant part in this process. These researchers also tend to accept a subjective evaluation of talent while making an effort to gain confirmation through an implementation of multi-source constructs (e.g., 360°) and, in this manner, they reflect the significance on an adaptation of an individual talent and its interpersonal context. Given this scenario, the momentum is appropriate to address an updated state of TM literature. In recent years it has been observed increased interest in this field by both practitioners and academics all over the world, and TM research has focused on effectiveness [6, 2]. Authors claim the only indicator describes the contribution of talented people into organization properly, it is their effectiveness, and the characteristics of talented individuals are placed in top 10% of a scale. Therefore, we establish:

**Hypothesis H<sub>1</sub>:** The professional, social and organizational competency level of talented agents is positively correlated with their effectiveness and

**Hypothesis H<sub>2</sub>:** The professional, social and organizational competency level of talented agents is ranged [4.5-5.0] in each group of competence.

## 2. Methodology

In the research the inductive method was implemented, as it is particularly useful and adequate as the conceptual base [7]. It requires an expert approach to an analysis of the sample content, is based on a post hoc factor analysis [8], and also asserts a correct categorization of factors. The case study was constructed through the use of an iteration process, which was based on a consonance of theoretical assumptions and empirical evidence [9]. The implementation of a case study in the context of theory development enhances inductive research through the creation of an adequate theory that creates scientific progress and is testable [10]. The purpose of the conducted research was to identify whether the

talented salesforce competency level is related to their effectiveness, perceived as collected premium. The term of competency was implemented from Oleksyn [11]. These authors perceive competence as a construct whose elements include knowledge, attitudes and skills.

This constituted the basis to construct a model of the competences of an insurance agent by managers of the life insurance institutions examined (the most effective sales managers: the classification was made based on the results obtained for the period of 3 years preceding the research). The abovementioned construct, which was obtained with the use of the Delphic method and brainstorming, was divided into three components in accordance with the previously accepted definition.

### **3. Participants and Procedures**

The sample consisted of 812 of the most effective life insurance agents (according to the collected premiums for the 5 years preceding the research), whose results placed them at top 10% of the whole workforce of each of the four companies (AVIVA, AMPLICO, NN, PZU), which possess the largest share in the market (combined 68.09%) according to the acquired premiums in years 2014-2017. The sample was complete (every agent who met the criteria was covered by the research). The agents completed the questionnaires constructed by top 10% life insurance managers of abovementioned companies (referring to their sales results as above). Each questionnaire was anonymous and put in an envelope when given to the researcher. A total of 812 sets of questionnaires were returned, with 16 being excluded due to extensive missing data or irregular patterns. The final response was 94.70%.

### **4. Measures**

A competency questionnaire consisted of three groups competencies: professional competencies (expectation of client's needs, monitoring and utility of opportunities in competitive environment, marketing knowledge, acquaintance of office technique, data analysis, IT), social competencies (communicativeness, stress handling, effective negotiations, influencing clients, assertiveness, change attitude, self-motivation), organizational competencies (acquaintance of organizational characteristics, creating the positive image of organization, maintain good client relation, sales orientation). The professional behaviours of agents described in the categories of the individual competences underwent assessment. Each group of competences included additional test questions to assess the reliability of the scale created. Five-degree Likert scale was implemented in the research, ranging from 1 (the lowest level) to 5 (the highest one). The effectiveness of an agent was measured by the amount of yearly premium collected (this value was taken from the monthly reports of managers) for each company separately. This conception of the effectiveness is a determinant of human activity based on the Austrian School of Economics thinking. It reflects the relation between individual performance and organizational effectiveness [12]. Territorial scope of the research: Poland, duration of the conducted research: 2014-2017. The hypotheses were tested regarding the volume of agent's collected premium. Independence tests related to the research, point to the occurrence of a statistically significant connection between the level of competencies and collected premium. All the hypotheses were tested complex, excluding the redundant describing variables. To test hypotheses, a multiple regression was conducted, with the yearly collected premium of an agent as the dependent variable, and the competency level as independent one. All the hypotheses were tested complex, excluding the redundant describing variables.

## 5. Results

The level of the contribution obtained by insurance agents is on the average strongly correlated with the level of their competencies ( $r=0.5575$ ) (Table 1).

**Table 1.** Descriptive statistics

Correlations	Social competencies	Organizational competencies	Professional competencies	Competencies	Financial outcome
<b>Social competencies</b>		0.1768	0.0712*	0.7642	0.5368
<b>Organizational competencies</b>	0.1768		-0.2018	0.5000	0.1555
<b>Professional competencies</b>	0.0712*	-0.2018		0.4873	0.2539
<b>Competencies</b>	0.7642	0.5000	0.4873		0.5575
<b>Financial outcome</b>	0.5368	0.1555	0.2539	0.5575	

Explanations: \* irrelevant coefficients at  $p>0.05$ .

The contribution obtained by insurance agents is on the average strongly correlated with the level of their competencies ( $r=0.5575$ ). This result is statistically significant. Taking into account the individual types of competencies, it becomes evident that they are all positively and statistically significant in relation to the agent's financial result; nevertheless, poor results were obtained here. It is only the dependence correlation between social competencies and the financial result that is on an averagely strong level ( $r=0.5368$ ), while the correlation connection of organizational competencies with the financial result proved to be very weak ( $r=0.1555$ ), and the connection between professional competencies and the financial result was weak ( $r=0.2539$ ).

The influence of competencies in total and competencies from the individual groups on the agent's contribution was established using regressive models (Table 2).

**Table 2.** The competency level and the volume of premium collected – regression analysis

	$\beta^*$	std. err.	$\beta$	std. err.	T (796)	p
<b>Competencies</b>	0.5575	0.0604	4169.2	451.6	9.2323	0.0000
<b>Group 1</b>	0.4990	0.0604	1951.0	236.1	8.2627	0.0000
<b>Group 2</b>	0.1161	0.0615	582.5	308.6	1.8875	0.0606
<b>Group 3</b>	0.2418	0.0607	1111.9	279.1	3.9836	0.0001

Explanations:  $\beta^*$  – standardised coefficients,  $\beta$  – classical coefficients

In accordance with the models, where the competencies were jointly assessed, an increment of the general index of competencies by 1 result in an increase of the contribution on average by 4169.2. This result is statistically highly significant ( $p<0.00005$ ), which serves to positively verify the **H<sub>1</sub>** hypothesis.

When assessing the individual types of competencies, it becomes evident that an increase of the level of social competencies by a unit contributes to an increase of the contribution by an average of PLN 1,951.00. For the competencies from the group of organizational competencies, the regression coefficient was obtained on the level of 582.5, and for the competencies from the group of professional competencies: 1,111.9. The statistical significance of the regression coefficient for the competencies from the group of organizational competencies is the worst ( $p=0.0606$ ). However, it is important that all the coefficients are positive, which means that an improvement of any competency contributes on average to an increase of the contribution. The problem consists only in the determination of the cost which needs to be incurred to raise the individual types of competencies. In accordance with the regression coefficients determined and the regression coefficients of the standardized model ( $\beta^*$  coefficients), the impact of changes in the competencies from group 1

on the contribution is the strongest: it is ca. 4 times stronger than the impact of the competencies from group 2 and ca. 2 times stronger than the impact of the competencies from group 3. Therefore, even enough the competencies from groups 2 and 3 are highly assessed (Table 3), their impact on the contribution as compared to the competencies from group 1, which are assessed as the lowest ones, is weaker.

**Table 3.** Descriptive statistics

Statistics	Group 1	Group 2	Group 3	Average 1, 2, 3
<b>Average</b>	3.54	3.94	3.97	3.81
<b>std. dev.</b>	0.57	0.45	0.49	0.30
<b>Min</b>	1.83	2.71	3.00	3.04
<b>Quartile 1</b>	3.17	3.57	3.75	3.61
<b>Median</b>	3.50	4.00	4.00	3.74
<b>Quartile 3</b>	4.00	4.29	4.25	4.08
<b>Decile 9</b>	4.17	4.43	4.50	4.19
<b>Max</b>	4.67	4.71	5.00	4.63

*Source: author's own research*

The average result of those competencies that belong to group 1 proves to be the lowest (3.54), while the average results of those competencies that belong to groups 2 and 3 are similar to one another (3.94 and 3.97 respectively). The result of competencies from group 1 is considerably statistically different from the average result of the competencies from group 2 ( $p=0.0006$ ) and the average result of the competencies from group 3 ( $p=0.0257$ ). At the same time, the average results of competencies from groups 2 and 3 do not differ significantly ( $p=0.2307$ ).

The situation related to the overall results looks interesting. The average level is the resultant of the averages for the individual groups, and it amounts to 3.81 here. Still, it is quite important that a low standard deviation (0.30) and quite a narrow scope of variability: 3.04-4.63 were obtained. Such results mean that those agents who possess a lower level of competencies from a given group quite frequently make up with higher levels of competencies from another group. The number of those agents who possess very good results in all the areas is not significant. This is the result of the fact that the maximum value for the whole is lower than the maximum value for the individual groups of competencies. At the same time, the number of those agents who achieved poor results in all the areas is not significant, either, which is the result of the fact that the minimum value for the whole is higher than the minimum value for the individual groups of competencies.

In the context of F. Gagne's thesis, according to whom the characteristics of talented persons are included within top 10%, this does not prove to be true of agents because the values of decile 9 are only slightly greater than the top limit of the typical area of variability (average  $\pm$  standard deviation), which was 4.11; 4.39; 4.44 for the subsequent groups of competencies and 4.11 for the competencies in overall, which serves to negatively verify the **H<sub>2</sub>** hypothesis.

## 6. Discussion, Implications and Future Directions

Our findings indicate the competencies are the key factor to estimate and predict the level of effectiveness, providing a useful background for investigating the nature of outstanding performance. Based on the preceding analyses we propose that high-level, individual effectiveness (talent level) can be a derivative of established level of competencies. Yet, we conclude with a consideration of limitations and future research environment. While this study employed mixed approaches, both qualitative and quantitative methods were cross-

sectional in organizational practice. A design assesses perceptions of talents at different points would be helpful in future research in the context of reducing potential problems of common method variance. Future investigations using a longitudinal design would provide more evidence in the relation to differences between talents and average and sub level performers and what factors would be crucial for average to talent transformation and finally, how to manage the mentioned process.

The research results are based on the individual perception from the most effective (according to the market share) life insurance organizations in Poland. Therefore, there is a need for validation in other institutions. The future research designs would also be improved by including other objective measures of performance (e.g., persistency ratios, peer assessments) and take into consideration the expectations of managers as well as the relation between an agent and manager and its reflection on the effectiveness [13].

Our findings have several practical implications for talent management. At first, they indicate that the level of competency is helpful for profiling the core requirements of talent performance. As such, this framework is valid and reliable for talent management HR activities (e.g., recruitment, development and retention of talented individuals). The abovementioned approach can ensure the high utility level throughout systematization of management practices rooted in organizational practices [14], instead of relying on strictly theoretical, vague prescriptions. Moreover, the competencies can be trained. As such, would become the key features of development programs. This approach particularly suits the life insurance sector context where HR practices are focus on the recruiting high potential individuals who can achieve the desired level of collecting premiums and a structured impact on behavioural factors is highly expected.

## **7. Conclusions**

Organizations face an increasing pressure on the competitiveness in the current environment. The only key to succeed in today's market should, therefore, be ability to attract talented individuals and retain them in the long run. Ergo, talent management supports natural institutional development and growth through increasing the level of performance. Yet, there are not unequivocal factors determine outstanding performance across all dimensions.

While competencies are likely to be important in most occupational contexts, it is not authorized to neglect potential situational influences on the top-level individual effectiveness.

We initially assumed that to be a talent it is a derivative of highest ranks on every group of competence. Yet, the research results showed this assumption not to be necessary for describing outstanding performance in life insurance sector. Basis on our understanding of what constitutes top performance on well-established theory and empirical findings as abovementioned we claim, it is not necessary for HR departments to force individual workforce characteristics level till top 10% to achieve the best efficiency. Therefore, the Gagne's assumption is not appropriate for talent management in life insurance industry. Yet, we confirm the required level of competencies in each group is the core component of highest level, individual effectiveness.

Moreover, the equally if not more important finding it is the indication of competency compensation possibility. It seems to be a crucial element for organizational talent management programs and strategy, particularly in the context of salesforce training and development. HR managers can "tune up" this group of competencies that is most suitable for an individual and put less effort for other ones. This practical knowledge can be a contribution to organizational effectiveness achieving.

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