

The Impact of Employee Motivation on Customer Satisfaction in the Insurance Sector in Botswana

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Abstract

The study seeks to measure the impact of employee motivation on customer satisfaction focusing on the insurance sector in Botswana. According to Botswana Business week report (2018) the local insurance sector is in the doldrums with one in 10 licenced operators closing down, profits are diminishing down 23%, and the high marginal decline in gross written premiums. The insurance sector is experiencing a decreasing customer base, high turnover of experienced employees, reduction in profits and low productivity. The study was quantitative in nature and the causal research design was used. The questionnaire was personally-administered to 80 participants which includes employees and customers. The findings of the study clearly acknowledged that employee motivation and customer satisfaction are positively correlated. The regression analysis was employed to test the hypotheses. The empirical examination of the study suggests that employee motivation is vital to boost customer satisfaction, service quality and lowers staff turnover. The study results revealed that employee motivation plays a significant role in enhancing the operational performance of organizations in the service industry. It was recommended that, management should employ motivational factors (innovative promotions, involvement, fringe benefits) to enhance service delivery and customer satisfaction, emphasis on market research through design thinking, as well as, understanding of the customer needs and expectations and designing customer care service policies so that a wide number of customer complaints and areas of interests are considered.

Keywords: Employee motivation, customer satisfaction, service quality

1. Introduction

The insurance sector in Botswana falls on hard times. According to Non-Bank Financial Institutions Regulatory Authority (NBFIRA) report (2017), the insurance sector is performing dismally. NBFIRA recorded 54 cases of non-compliance in the insurance industry for the year up to March 2017, cancelling 29 licences as a result. The number of licenced operators in the insurance sector has dropped from 274 in 2016 to 246 in 2017, due largely to licence withdrawals as well as voluntary and involuntary licence cancellations (NBFIRA, report 2017). Licensed insurance operators in Botswana include insurers and reinsurers, medical aids, brokers and corporate agents. Of the licensed operators, corporate agents were the hardest hit, with 52 withdrawals in 2017 alone owing to non-renewal as well as voluntary and involuntary licence cancellation. NBFIRA also cancelled three brokers' licences in 2017.

Profits in the insurance sector for the year ended December 2016 dropped 23% to P861 million, while gross written premiums declined 2% to P4.5 billion over the same period (NBFIRA report, 2017). The dismal performance is attributable to the slowdown in the mining sector and sluggish mining activities, especially the closure and collapse of BCL and Tati Nickel mines. The net claims in 2016 and 2017 period rose by 18% to P1.9billion. This current scenario in the insurance sector has impact on employee motivation towards customer satisfaction. Most brokers are failing to pay employees' commissions and customer complaints are increasing. This seeks to establish the relationship between employee motivation and customer satisfaction in the insurance sector.

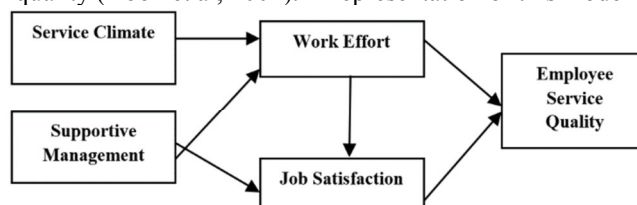
2. Literature Review

2.1 Employee Motivation on Service Quality

Employee motivation has a positive influence on both customer satisfaction and high service quality, which is then related to firm profitability. Yoon and Suh (2003) suggested that motivated employees are hard workers and they provide better service via corporate organizational behaviours. Silvestro and Cross, (2000) posited that employee satisfaction plays a vital role in enhancing the firm profitability and improving operational performance of organizations and quality of goods and services. Hallowell, (1996) summed it by mentioned that motivated employees are more dedicated to deliver services of high quality and they tend to be more involved in their employing organizations. To achieve this, employees need to be empowered and treated as valued internal customers (Chiguvi, 2016). Hartline et al., (1996) claimed that job satisfaction felt by customer-contact employees is associated with service quality; therefore, it calls for an organisation to maintain job satisfaction so

as to keep employees motivated. Employees who are satisfied with their jobs they are more involved in their organisation, and they are more dedicated in delivering high service quality that satisfies service customers (Chiguvi et al, 2017).

Furthermore, the relationship between employee motivation and service quality is established on the model by Yoon and Beatty (2001) which presented two constructs of employee service quality and job satisfaction. The model showed that, employees who are more exposed to service climate and supportive management are more motivated with their jobs, they become more involved in their organizations, and also more dedicated in delivering services of high quality (Yoon et al, 2004). A representation of this model is depicted below.



Source: Yoon and Beatty (2001)

The organizational service climate and managerial support greatly affects the attitudes and employee's behaviour to be more committed, and this consequently induce service employees to be loyal to make an extra work effort to the organisation (Yoon et al, 2004), therefore, it enhances employee service quality.

2.2 Employee Motivation and Customer Satisfaction

The influence of employee satisfaction on customer satisfaction has received substantial attention in marketing literature and practice in recent years (Chiguvi, 2017). It has been argued that behavior of motivated employees plays a significant role in manipulating customers' perceptions of business interactions (Yang and Peterson, 2004). This phenomenon may occur as motivated employees are more apt to be empathetic, attentive, enthusiastic, friendly and toward customers (Chiguvi, 2016). Employee motivation influences a customer-dedicated culture and motivated employees can produce healthier outcomes as compared to demotivated employees (Zerbe et al, 1998). Employees' execute their mandates more willingly when they feel motivated from their organisation (Chiguvi, 2016). Verbeke (1997) states that motivated employees they tend to be more liable to share their positive emotions to customers. This was also validated by the study of Brown and Lam (2008). In contrast, demotivated employees are they tend to display unpleasant emotions to customers, reducing the level of customer satisfaction through emotional contagion (Jeon and Choi, 2012). Empirical studies by Harter, Schmidt and Hayes (2002) and by Berhardt, Donthu, and Kennett (2000) has shown that there was a positive correlation between employee motivation and customer satisfaction. Therefore, employee motivation has a positive relationship with employee satisfaction. Also the study by Berhardt et al., (2000) found that there was a positive relationship between employee motivation and customer satisfaction at any point in time. This implies that increase in the level of employee motivation will ultimately increase the percentage variation of customer satisfaction.

3. Research Methodology

The causal design was used to determine the nature of the relationship between the causal variables and the effect to be predicted. The researchers used simple random sampling method. Questionnaires were personally-administered to the respondents. Questionnaire was designed in which a 5 point Likert scale; ranging from 1 "very satisfied" to 5 "very dissatisfied" was used and this was adopted from the study done by Cheng et al (2008). The researchers used Statistical Package for Social Sciences (SPSS) software to analyze the data obtained from the questionnaire. The SPSS software helped the researcher to use regression statistical to estimate the relationships between employee motivation and customer satisfaction. The data was presented in form of tables for easy understanding.

4. Data Findings

H1: Employee motivation has got impact on customer satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.831 ^a	.690	.679	.310

a. Predictors: (Constant), employee satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.025	.304		-.082	.935
	employee satisfaction	1.056	.134	.831	7.902	.000

a. Dependent Variable: customer satisfaction

The result reveals that there is a positive relationship between employee motivation and customer satisfaction. This is indicated by the standardized coefficient Beta value of .831 ($p=0.000$). This concludes that employee motivation has a significant positive influence on customer satisfaction. The result also displays the strength of the relationship of underlying variables which is designated by R square value of .690. This also implies that 69% variation of customer's satisfaction is induced by employee motivation whilst 31% variation of customers is caused by other factors. The result is in line with the study findings of Berhardt et al., (2000) and Schmidt et al., (2002) who all found that there is a positive correlation between employee motivation and customer satisfaction. The result infers that when employees are not motivated, higher levels of customer satisfaction cannot be achieved. This implies additional unit-level of employee motivation will increase business-unit outcomes such as customer satisfaction and productivity.

H2: Employee motivation has got impact on service quality

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867 ^a	.752	.743	.413

a. Predictors: (Constant), employee satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.062	.405		-2.623	.014
	employee satisfaction	1.640	.178	.867	9.203	.000

a. Dependent Variable: service quality

The result shows that there is a positive relationship employee motivation and service quality. This is indicated by the standardized coefficient Beta value of .867 ($p=0.000$). This concludes that employee motivation has a significant positive influence on service quality. The result also displays the strength of the relationship of underlying variables which is designated by R square value of .752. This also implies that 75% variation of service quality is induced by employee motivation whilst 25% variation of service quality is not influenced by employee motivation. Therefore, an increase of one unit of employee motivation would increase quality of the service produced. The findings were empirically validated by the studies by Yoon et al., (2000), and Schmidt et al., (2002). Therefore, this study concluded that when employees are not happy they do not treat customers well leading to poor service delivery. This means that the management of service firms should put in place strict guidelines to be followed while dealing with customer complaints so as to eliminate negative feedbacks from customers.

5. Conclusions and Recommendations

The study findings revealed that there is a strong positive relationship between employee motivation and the level of customer satisfaction and service quality. This implies that the higher the employees are motivated, the higher the quality of services they deliver and the higher the levels of customer satisfaction. It is recommended that management should put in place strict guidelines to be followed while dealing with customer complaints so as to eliminate negative feedbacks from customers. From the above research findings, the service firms should have customer based strategies such as making follow ups on the services offered. This help to overcome some of the negative issues and make proper improvements to increase customer satisfaction. Emphasis on market research, understanding of the customer needs, expectations and services quality management plans must be

intensified in order to keep abreast with the changing marketing environment. Management has to employ various employee motivation tools so that they motivate every employee since what motivates one person might not motivate another. It is understood from this research that service organizations need to have a better understanding of the expectations of customers. The achievement of this objective will enable them deliver quality service to enhance customer satisfaction and attain customer loyalty including retention. Since customers by nature have two levels of expectations (desired and acceptable), it is recommended that the management should research on these expectations in order to provide the right services at the right time to meet these expectations due to technological changes. Management should keep their employees motivated in order to lower the turnover rate and also to save costs. The company should constantly assess the motivation levels and also know what the employees need, want or expect from their employer through the use of questionnaires and interviews.

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