Market Factors, Training Programs, Strategic Management and Performance: An Empirical Study of the Iranian Insurance Companies

Mahmoud Zamani, School of Management, Tehran University, Tehran, Iran
Changiz Valmohammadi, South Tehran Branch, Islamic Azad University, Tehran, Iran
Mona Moshiri, South Tehran Branch, Islamic Azad University, Tehran, Iran

ABSTRACT

The main purpose of this study is to carry out an empirical research to investigate the relationship between market factors (competitive intensity and industry attractiveness), training programs development, strategic management and organizational performance of insurance companies in Iran. nda clarify the importance role of market forces as an essential factor influencing training programs development, strategic management and organizational performance in insurance companies in the context of Iran. This research is based on an empirical survey of marketing and sales experts in four private insurance companies, namely Saman, Parsian, Karafarin and Pasargad in capital city of Iran, Tehran. Questionnaire is the main data collection instrument for this research. Exploratory and confirmatory factor analyses as well as structure equation modeling were employed for data analysis. Statistical analyses revealed that competitive intensity, industry attractiveness, training programs development and strategic management have a positive and significant relationship with the organizational performance of the surveyed companies.

Keywords: Competitive Intensity, Industry Attractiveness, Iran, Organizational Performance, Strategic Management, Training

1. INTRODUCTION

Industry attractiveness and competitive intensity have always been considered as two effective factors in organizational orientations and companies’ activities and operations, such that they are known as environmental deterministic factors (Campos e Cunha et al., 2003). Competitive intensity can be defined as the strength of competitors’ ability to influence a focal firm’s action and is an organization level phenomenon driven by perceptions of the external market.

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environment. As the intensity of competition increases, organizations are forced to become more innovative with products and processes in order to remain competitive (Jones and Linderman, 2014).

Experts believe that these factors play a key role in organizational performance and developing a strategy (Spanos et al., 2004), as well as, other dimensions of organizations, e.g. human resource management (Heo and Han, 2003), sales rate and profitability, sales and marketing unit performance (McKee et al., 1989), organizational development (Day and Lichtenstein, 2006) and even customer satisfaction (Ramaswamy, 2001). And as Valnohammadi (2012) in his study notes customer centricity divers organizations to pursue innovative practices and most possibly these practices will lead organizations to more and sustained competitive advantage.

Although extended research has been conducted abroad regarding the effects of environmental factors on organizations’ performance, in the context of Iran due to various reasons, e.g. variations and agitation in market environmental conditions and factors few studies, if any, have been performed in this regard. Therefore, this study attempts to investigate these environmental factors in the insurance industry, as well as its effects on some organizational indices including training program development, strategic management and organizational performance.

The paper is divided into three Parts. Part one relies on the existing Literature and hypotheses development. Part two explains the research methodology. And finally, Part three presents the results of the empirical investigation and discusses these results.

2. THEORETICAL DEVELOPMENT AND HYPOTHESES

2.1. Environmental Factors: Strategic Management

Initially, the concept of strategy was meant to refer to the leading role of a general in command of an army as well as for military purpose. Modern organizations have mainly adopted and modified the principles of the military strategies to suit the specific business environment. There appears to be much agreement in the strategies management literature on the important role of strategy in organizations (Valmohammadi, 2010). Market forces are effective in strategy development, its implementation and organizational performance. Regarding the effects of industry attractiveness and organizational strategic performance, evidence shows a rational relationship between them. Grewal & Tansuhaj (2001) emphasize that industry attractiveness is effective in organizational strategic performance, since forces organizations to analyze their environments more efficiently. Thus they can develop desired organizational strategies more properly. On the other hand, researchers believe that industry attractiveness has an indirect effect on organizational performance through strategic management. Therefore we can say that industry attractiveness has direct and indirect effects on performance. Nevertheless, some studies, e.g. Tsai, 2002, indicate that organizations affected by environmental factors, do not change strategic planning and the tendency to its development.

Therefore, the first and second hypothesis is posited as follows:

H1: There is a significant relationship between the competitive intensity and strategic management;
H2: There is a significant relationship between the industry attractiveness and strategic management.

2.2. Environmental Factors: Training

In a demanding and changing international context, in view of the sharp increase in technical and scientific advances, vocational training appears to be an essential factor of firm development and survival (Dumas and Hanchane, 2010). Current studies generally focus on the direct and significant relationship between
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