The Impact of Service-Oriented Strategy on the Financial Performance of Insurance Companies (Case Study: Iran Insurance Company in Guilan province)

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Abstract

Attitude of providing services (service-oriented) plays an important role in the service industries such as insurance and banking services, because the service-oriented strategy is vital for the survival and profitability of organization, service-oriented strategy is regarded as an important and valuable resource for organizations and is considered as a preferred strategy of organization to provide better services, and customer satisfaction and profitability are the advantages of this kind of strategy. The purpose of this study is to assess the effect of the service-oriented strategy on the financial performance of insurance companies in Guilan province. The population of this research includes branches and agencies of the insurance companies of Iran which are 286 individuals. By using Cochran formula, the sample size was assessed about 165 individuals. Collection of data was done through a standard questionnaire which is designed in the form of Likert format. In this study, by using descriptive statistics, any of the variables were described and then analyzed by using structural equation model. Results of the analyses by using SPSS and Smart PLS software showed that in general, there is a positive correlation between service-oriented strategy and financial performance as well as service-oriented strategy, and customer satisfaction.

Keywords: Service-Oriented Strategy, Financial Performance, Job Satisfaction, Customer Satisfaction.
1. Introduction
In the last twenty years, many organizations placed the desires and expectations of customers and passing from them as their strategic goals, but unfortunately in acting, only few of them continually trying to understand the needs and changing of customer expectations. The dynamic nature of customer needs, calls for constant focus of any organization (Sung et al., 2014). In economic businesses such as insurance that purpose, financial performance are good and proper, paying attention to the profitability provides the realization of the objective. In fact, calculating the financial performance means achieving organizational goals. Iran insurance is known as the only insurance state and strategies of this company with regard to the views of senior executives in the country’s levels, put emphasis on performance and improvement of the financial performance in Iran insurance. One of the problems that Iran Insurance is dealing with it now is the presence of competitors in the private sector, in the past years due to the lack of a competitive approach, there was deep concern among insurance companies but now according to the number of insurance companies and their service conditions, the Iran insurance will have to provide a proper condition with more convenient services in order to endeavor to maintain customer satisfaction. Since the displacement of customer is an important issue in the relational service sector where business models depends on the long-term profitable relationships with customers (Heydarzade and Ghafari, 2012), Iran Insurance in order to compete in nowadays’ rapidly changing environment should pay special attention to inevitably service-oriented strategy. This issue will follow the more lasting of customers, attracting new customers and improving financial performance and profitability (Hosseini et al., 2014).

In service-oriented strategy necessarily estimation of varied demands of people should not be depend on the new changes, but you should use the available resources and the interaction between these resources, provides potential of new services (Acar et al, 2013). Therefore, the more quality of services provided to customers, the better the perspective of customers toward special services and items (Amin et al, 2012).

Comparison of previous studies suggest that service-oriented strategy is directly related to financial performance and job satisfaction and customer satisfaction, make adjustments in this regard, which in turn identify the new strategies and would provide increased financial performance and the competitive advantages. Thus improving service-oriented strategy due to its role in increasing customer satisfaction and organizational profitability, in the studies has gained increasing importance. Past research showed that, researchers have become business executives increasingly and organizations are interested in the concept of service orientation. Service excellence is a strategic priority and is significantly influenced by a superior value, customer satisfaction, competitive advantage, growth and profitability (Eren et al., 2013). Also it is shown that high service quality has positive impact on employees’ perceptions (Martins et al., 2015). The banking industry, showed the positive effects of services direction on customer performance and entrepreneurs in the banking sector (Acar et al., 2013). The research suggests that fair financial service-oriented has not only a remarkable effect on consent of customer but also on the changing role of a service-oriented approach in determining the nature of its customer confidence that this perceived value in turn, will lead to profitability and customer satisfaction (Chen et al., 2012).

With regard to the points mentioned about the process of service-oriented strategy and its impact on the financial performance based on job satisfaction and customer satisfaction and also
because of the intense competition between insurance organizations, especially in terms of profits, it seems necessary for Iran Insurance of Guilan province for keeping and attracting customers in order to increase financial performance attaches particular importance to service-oriented strategy, so this present study, is trying to find a good answer to this question:
- Is service-oriented strategy effective on financial performance of the insurance company?
- What are the role of customer satisfaction and employee satisfaction as factors mediating on the financial performance of insurance companies?

2. Literature Review and Hypotheses Development
The concept of Service shows that an organization is willing to know withdraw of their customers and employees toward their services (Müller, 2013). Tending to the view of providing services (service-oriented) plays an important role in service industries such as insurance and banking services and … because service-oriented strategy plays a vital role for survival and profitability of organization (Segorooa, 2012). Maybe Lewis and Booms were the first ones to define the service-oriented quality as measurement by which to what extent the provided service meets the expectations of customers (Rasouli et al, 2015). The emphasis here is on the outside. Quality of service-oriented is defined as meeting the satisfaction and the needs of customers, or "in accordance with the purpose". This definition is based on the organization's ability to determine the needs and demands of customers and meeting those needs (ibid.). Quality of service-oriented is defined as the readiness of service or item for user, which requires design quality, compliance, availability and suitability of the service location (Fotoohi and Hajizadeh, 2014).

2.1. Service-Oriented Strategy and Job Satisfaction
In view of service-oriented strategy, value will not presented in goods but it is created in using products and services in a partnership way between the provider and the user (Harries and Rettie, 2012). A survey by Pantouvakis (2012) entitled by the impact of Mutual Impact of Services Features, Job Satisfaction and Customer Satisfaction. He studied to provide a conceptual framework that explores the characteristics between the two central services, job satisfaction and their impact on customer satisfaction index. It is generally accepted that offering service-oriented approach is a multi-dimensional structure, but there are differences in favorable and operational concepts. Previous research results showed the characteristics of service-oriented (interactive and physical) are directly and positively associated with satisfaction of service-oriented (Pantouvakis and Bouranta, 2012). Therefore, the following hypothesis is offered:
**H1**: service-oriented strategy has an impact on job satisfaction of Iran Insurance Company.

2.2. Service-Oriented Strategy and Customer Satisfaction
Previous reports have suggested a strategy for service-oriented strategy and customer satisfaction. The effects of services direction in customer performance and entrepreneurs in the banking sector presented in the case were investigated. Strategy of service-oriented in the areas of standardization and technology development were used as a new method (Acar et al., 2013). The effects of service-oriented strategy and customer satisfaction on customer loyalty is provided in e-banking, and the
results showed that privacy, contact and responding quickly and appropriately designed Web site and proper online advice are very good factors in customer satisfaction and loyalty (Mohd Shoki et al., 2012). Therefore, the following hypothesis is proposed:

**H2**: service-oriented strategy has an impact on customer satisfaction of Iran Insurance Company.

### 2.3. Service-Oriented Strategy and Financial Performance

Previous studies have investigated the impact of service orientation on financial performance and have been shown that service-oriented strategy has a positive and significant impact on financial performance (Eren et al., 2013). In another similar study also Parasuraman and Partners (2010) explained about the effects of services orientation based on the effect of profit of strategy of market (Parasuraman et al., 2010). Based on these items the hypothesis is presented as follows:

**H3**: service-oriented strategy is effective toward financial performance in the insurance companies.

### 2.4. Job Satisfaction and Customer Satisfaction

Satisfaction is a positive emotion that is created when the person receives product or using the service, the expected feeling arises in the contrasting of expectations of the customer and supplier performance. If the inventory and received services from the customer's evaluated in a same level with expectations, then a sense of satisfaction would be created in him, if the level of service and product taste is higher than expected, would lead to satisfaction and happy feelings and lower level of services and products toward customer expectations leads to dissatisfaction of customer. Degree of satisfaction, dissatisfaction and tastes of people in every time and in every case is different and always are related to the expectations and levels of supplier performance in terms of the quality of goods and services (Kotler, 2010). In job satisfaction the individual's reaction to an aspect of their work and individual attitudes towards various aspects of his career, could form job satisfaction (Shafiabadi, 2014). Some previous studies have examined the relationship between job satisfaction and customer satisfaction (Eren et al., 2013). Therefore, the following hypothesis is proposed:

**H4**: Job satisfaction affects customer satisfaction in Iran Insurance Company.

### 2.5. Customer Satisfaction and Financial Performance

The impact of providing financial service-oriented strategy and fairness in satisfying the customer has investigated in previous studies. Research stated that the proposed models for assessing financial service-oriented strategy and customer satisfaction have been very helpful (Chen et al., 2012). Customer satisfaction and financial performance are two important concepts. In general, the financial ability of an organization's productivity and profitability, defined financial performance (Taleghani, 2013). Therefore, the following hypothesis is offered:

**H5**: Customer satisfaction has an impact on financial performance in Iran Insurance Company.

### 3. Research Methodology

Based on a literature review, the conceptual model was adapted from the model of Eren (Eren et al., 2013) have been proposed and are looking to find an appropriate answer in order to identify research question, that namely how is the communication and what is the extent of the service-
oriented approach impact on the financial performance by the role of job satisfaction and customer satisfaction in Iran Insurance Company, Guilan province.

![Research Conceptual Model](image)

Figure 1) Research Conceptual Model (Eren et al, 2013)

This study is functional in terms of goal. Also the presented study in terms of the way of collecting data is known as a descriptive research (non-test). The statistical population of this research included these branches and the agencies of the Iran insurance company in Guilan province. Cochran's formula was used for determining the sample size for local communities and 165 people were selected from the managers and authorities of Iran insurance company in Guilan province. In this study, sampling method in this study is a classified sampling method through commiserating with the size and the distribution of questionnaires in a simple and random method. In the present study in order to collect data was used from the field method and questionnaires tools were analyzed and the responsive spectrum method used in it, is a 5-point Likert. For measuring the validity of tools of collecting data, was used of content validity. Cronbach's alpha coefficient was also calculated higher than 0.7 for all variables. So the present questionnaire has proper reliability.

<table>
<thead>
<tr>
<th>Row</th>
<th>Variable</th>
<th>Cronbach's Alpha values</th>
<th>Number of Questions</th>
<th>The Number of Questions with Correction of CFA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Service-Oriented</td>
<td>0.929</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>2</td>
<td>Job Satisfaction</td>
<td>0.860</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Customer Satisfaction</td>
<td>0.835</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Financial Performance</td>
<td>0.856</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>
4. Analysis of Data
The most frequent age of the respondents is dedicated to the age group of 31 to 40 years old (63 percent) and the lowest rate is dedicated to the age group of the ones over 60 years old (1%), respectively. The highest percentage of respondents with a history of work less than 5 years is 33% and the lowest percentage of respondents with working experience of 15 to 20 years is 3%, respectively. A structural equation modeling techniques was used for the analysis of the data and due to non-normal distribution of data was used from Smart PLS software to analyze the data.

After ensuring from proper measurement model, we studied the structural testing of the models. The evaluation of structural model or test hypotheses consisted of path coefficient analysis (Beta) and significant path. Path analysis shows the effect of each dependent variable on the independent variable. Table (4-16) Path variables are presented as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Financial performance</th>
<th>Service-oriented</th>
<th>Customer satisfaction</th>
<th>Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Service-oriented</td>
<td>0.54</td>
<td>-</td>
<td>0.63</td>
<td>0.48</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>0.10</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>-</td>
<td>-</td>
<td>0.22</td>
<td>-</td>
</tr>
</tbody>
</table>

As we can see in the table, the effect of each dependent variable on the independent variable from the above table is clear in the path coefficient. For example, service-oriented effect on financial performance, customer satisfaction and job satisfaction, are respectively, 0.54, 0.63 and 0.48. In order to evaluate significance of routes (independent variables effect on the dependent variable) is used of the t-statistic. The results of significance test of paths is in a such way that the amounts more than ±1.96 are significant at 0.05/ level and amounts more than 1.96/1 are significant at the level of 0.01. This results are provided in Table 3.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Financial performance</th>
<th>Service-oriented</th>
<th>Customer satisfaction</th>
<th>Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Service-oriented</td>
<td>5.56</td>
<td>-</td>
<td>11.89</td>
<td>7.87</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>1.17</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>-</td>
<td>-</td>
<td>2.69</td>
<td>-</td>
</tr>
</tbody>
</table>
According to the results set forth in Table 3, it can be said that excluding the impact of customer satisfaction on financial performance, other directions of research are significant at 0.01 level. In this part, due to the significance test of paths and path analysis, the hypotheses will be examined as below:

### Table 4) Evaluation of hypotheses

<table>
<thead>
<tr>
<th>Number theory</th>
<th>From</th>
<th>To</th>
<th>Path coefficient</th>
<th>Statistics-t</th>
<th>Test result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Service-oriented</td>
<td>Job Satisfaction</td>
<td>0.48</td>
<td>7.87</td>
<td>Confirmation</td>
</tr>
<tr>
<td>2</td>
<td>Service-oriented</td>
<td>Customer satisfaction</td>
<td>0.63</td>
<td>11.89</td>
<td>Confirmation</td>
</tr>
<tr>
<td>3</td>
<td>Service-oriented</td>
<td>Financial performance</td>
<td>0.54</td>
<td>5.56</td>
<td>Confirmation</td>
</tr>
<tr>
<td>4</td>
<td>Job Satisfaction</td>
<td>Customer satisfaction</td>
<td>0.22</td>
<td>2.69</td>
<td>Confirmation</td>
</tr>
<tr>
<td>5</td>
<td>Customer satisfaction</td>
<td>Financial performance</td>
<td>0.10</td>
<td>1.17</td>
<td>Rejection</td>
</tr>
</tbody>
</table>

As can be seen in Table 4, according to the results of the t-statistic can be said that the fifth hypothesis of research is rejected. Other hypotheses were significant and confirmed at the trust level of 0.01. In the following, the measurement model and structural model of research are displayed in the form of path coefficients and t-statistic.

![Figure 2) Path Coefficients and Loading Factors of Research Variables](http://www.ijhcs.com/index.php/ijhcs/index)
6-Conclusion
Tending to service-oriented approach plays an important role in service industries such as insurance, banking services, because the service-oriented strategy is vital for the survival and profitability of the company. In fact, nowadays, customer satisfaction and the kind of attitude toward providing services are considered as vital issues in most of the service industries, in particular this issue in relation to financial services that in general distinguishing the type of services is difficult, has got more importance (Segoroa, 2012). Now the share of services in economy, is more than the half of the total national impure production of all countries across the world. In addition, as the diversity of services and educational institutions increase, the demands and expectations of customers are also growing. Therefore, recovery and promotion of quality level of services in accordance with the needs and desires of customers, needed for the survival and improvement of service-oriented organizations (wages, 2011). Iran insurance is the only insurance state and the strategies of this company with regard to the views of senior executives in the country's levels, put the emphasis on performance and improvement of the financial performance in Iran insurance. One of the problems that Iran Insurance are facing with it now is the presence of competitors in the private sector, in the past years due to the lack of a competitive approach, there was deep concern among insurance companies but now, according to the results of the hypothesis and the number of insurance companies and service of insurance, they will have to provide circumstances to try more to tailor services to keep customer satisfaction more than ever. With regard to this issue, service-oriented strategy is an important and valuable resource for the organizations and is considered as a strategy or preferred organization to provide better services, and customer satisfaction and profitability are the advantages of this strategy. The strategy emphasizes on speed, transparency, flexibility, accuracy, fairness and respecting to the views of the clients and totally has impact on service delivery (Mohammadi and Bakhtiari, 2015).
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