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Application of Management Model in Vietnamese Insurance Enterprises

[1] Mai Thi Hong Quyen, [2] Le Thi Huong Tram, [3] Nguyen Nguyen Zen
[1, 2, 3] University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Mai Thi Hong Quyen**

Abstract

Soft elements are a group of four elements of McKinsey's corporate governance model. Applying a management model to closely link these factors helps businesses improve operational efficiency. Currently, Vietnamese insurers have not focused on applying corporate governance models, including McKinsey. With 168 valid surveys, the research team determined the impact of the four components Shared values, Style, Staff, and Skills on the independent variable of soft factor application. From the research results, the research team has proposed several solutions to help improve the ability to apply soft elements such as improving the Shared values of businesses; business leaders make necessary and appropriate changes to improve the performance of the business or Staff in the enterprise are evaluated and arranged to work following professional capacity.

1. Introduction

The insurance industry in Vietnam has grown steadily year by year at the rate of 15 to 20% according to statistics of the Vietnam Insurance Association. With a higher number of potential customers for both life and non-life insurance segments in developed countries, insurers do not have difficulties expanding the market. However, in the future, as more insurers enter the market, the current advantage will be lost. Therefore, insurers need to improve their operational efficiency to meet future changes. McKinsey is a tool that analyzes a company's organizational design by looking at 7 key internal factors: Strategy, structure, systems, shared values, style, staff, and skills, to determine if they are effectively aligned and enable the organization to achieve its goals. This model supports businesses to develop sustainably and always aim at the right goals in the long term. However, up to now, no insurance company has comprehensively applied this model in corporate governance. By studying the application of Sort Ss' of the McKinsey model in management in insurance companies, the research team will find out the factors that affect the application of this model in businesses.

2. Theoretical basis and scale construction
2.1 Theoretical basis

The McKinsey model was developed in the late 70s by two former leading consultants of McKinsey & Company. This model focuses on promoting soft "S" factors instead of tangible factors such as infrastructure, equipment, and capital. Linking the 7 elements of the model is said to bring higher performance to the business. The McKinsey model is divided into two parts, Soft Ss' and Hard Ss'. The two experts identified 7 internal factors that need to be arranged and managed, including Strategy: Developing a detailed action plan; Structure: Related to the structure and hierarchy of the enterprise; system: Methods of performing operations, and procedures; Shared values: The core value that the business operates based on; Style: The leadership style of senior management, how they react and make decisions in advance of problems; Staff: Staff team and working capacity; Skills: The common competencies and skills of the business and each employee.

Currently, the application of the McKinsey management model in insurance businesses has not received attention from the management. At the same time, so far there have been no studies assessing the ability to apply McKinsey's McKinsey model in Vietnamese businesses in general or insurance businesses in particular. In this study, the authors only conducted an assessment of the applicability of Soft Ss' in the McKinsey model in Vietnamese insurance companies. Soft Ss' include employee elements, skills, style, and shared values. From the theoretical basis of Soft Ss' elements and the ability to deploy in insurance businesses, the authors studied the following hypotheses:

Shared values: Shared values are the core values that businesses operate based on. In line with the development characteristics of the business, core values are identified differently at different enterprises. The purpose of core values is to help a business in the decision-making process about product quality or core values become an employee recruitment and retention tool. In this study, we study McKinsey's soft factors. Therefore, the H1 hypothesis is stated as follows. Shared values of enterprises are assessed to increase or decrease, the application of Soft Ss' in the McKinsey model in Vietnamese insurance enterprises increases or decreases accordingly.

Style: The style stated in the McKinsey model is the style of business leaders or managers who react and make decisions before issues such as product strategy, and human resource development orientation. Hypothesis H2 is proposed as follows: When Style is appreciated high or low, the application of Soft Ss' of the McKinsey model in Vietnamese insurance enterprises increases or decreases accordingly.

Staff: In the McKinsey model, Staff is identified as the working capacity of the Staff team. Hypothesis H3 is stated as follows: The more highly appreciated and invested enterprises are, the higher the application of the McKinsey model with the Soft Ss' factor group in Vietnamese insurance enterprises and vice versa.

Skills: Skills show the common capacity and skills of the business and each employee. Each department or person has different strengths in skills. For example, the sales staff of the insurance company, in addition to understanding the product, Sales skills needs to be focused on training by businesses. The H4 hypothesis proposed by the research team is as follows: The more enterprises focus on developing Staff skills, the more likely the application of Soft Ss' soft factors including Skills in Vietnamese insurance enterprises is likely to be successfully applied and vice versa.

2.2 Build the scale
Based on the theoretical basis of McKinsey's McKinsey model and selected Soft Ss' soft factors, the authors developed a scale with four independent factors and one dependent factor. The independent factors are respectively Shared values, Style, Staff, and Skills, dependent factors are Application. The scale consists of 15 observational variables adjusted by some corporate governance experts in the industry and the opinions of employees in insurance businesses in Vietnam surveyed. The scale uses a 5-point Likert form with 5 being a complete agreement, and 1 being a complete disagreement. The factor names and symbols of each observed variable are denoted in Table 1.

Table 1: Observed variables and symbols

Ingredient scale	Observed variable names
Shared values	
Shared values 1	Enterprises have their core values with business characteristics
Shared values 2	Business leaders always make decisions based on the core values of the business
Shared values 3	According to you, the current core values of the business are in line with and meet the wishes of employees
Style	
Style 1	Business leaders and managers are determined to improve the efficiency of the business
Style 2	Business leaders always consider and apply governance models that are more suitable for the business
Style 3	Business leaders make necessary and appropriate changes to improve business performance
Staff	
Staff 1	Enterprises have requirements to recruit Staff with the right expertise
Staff 2	The staff understands the Shared values of the business
Staff 3	Staff is always assessed capacity and determined job suitability according to business standards
Skills	
Skills 1	Enterprises have clearly defined the responsibilities of each employee's position
Skills 2	Enterprises develop policies to promote the development of Staff and Skills for Staff
Skills 3	Staff in the enterprise are evaluated and arranged to work in professional capacity
Application	
Application 1	Business leaders are aware of the Ss' element group of McKinsey's governance model
Application 2	Enterprise application of the Ss' element group in McKinsey's McKinsey governance model can achieve higher performance for the business
Application 3	Your product development and supply plan is suitable for McKinsey's 7 s soft application

Source: Building of the author team

3. Method
3.1 Data collection methods
In the study, the survey sample is taken using a convenient sampling method. The survey method is used to collect primary data, in which the first part is the information about the business that will be kept confidential in the process of synthesis and processing, the second part is the evaluation questions scored according to the Liket scale, the last part is the open questions for survey participants that is to give opinions to help businesses an application of McKinsey's McKinsey governance model. Questions in the questionnaire are edited to meet the content of the study. Along with collecting primary data, to assess the difficulties and existences in applying the McKinsey model in Vietnamese insurance businesses, the research team also used a combination of secondary data collection methods. The main sources of information collection are from the websites of enterprises about the application of management at Vietnamese insurance enterprises and Vietnamese insurance market data over the years.

3.2 Methods of analyzing collected data
Documentary research methodology: The theoretical contents selectively inherit the research results of published scientific works on the contents related to the McKinsey model of McKinsey.

Analysis and synthesis methods: Analyze and synthesize data collected from secondary and primary data sources. The article uses quantitative research methods. To inspect the theoretical basis, the study conducted employee surveys at some Vietnamese insurance enterprises. The study used SPSS 22.0 descriptive statistical analysis software to process the collected information.

Verify the reliability of the scales: Based on the Cronbach Alpha coefficient to detect unreliable indicators during the study.

EFA Discovery Factor Analysis aims to disassemble and sequence indicators that measure potential concepts and variables.

Multivariate regression analysis and ANOVA validation to evaluate the role of each component in the model.

Processing data to calculate relative numerical indicators to identify factors affecting the application of McKinsey's management model with Soft Ss' factor group in Vietnamese insurance companies.

4. Results
4.1 Scale reliability verification
Before analyzing the EFA discovery factor, the team tested the reliability of the scales. The correlation of the smallest total variables of the scale components ensures a level of > of 0.5 suitable for research purposes. From the research results in Table 2, the confidence coefficient is greater than 0.8 and the highest is above 0.9. The data on Cronbach's alpha coefficient, if the type of variable (maximum) is less than the confidence coefficient, ensures that both conditions are satisfied for the retention of the observed variable for later analyses.

Table 2: Results of testing the reliability coefficient of the scale

STT	Scale	Initial observed variable	Cronbach's alpha coefficient	Minimum total variable correlation	Cronbach's alpha coefficient if variable type (maximum)	Residual observational variable
1	Shared values	3	.816	.638	.776	3
2	Style	3	.927	.817	.922	3
3	Staff	3	.866	.696	.772	3
4	Skills	3	.746	.537	.609	3
5	application	3	.841	.701	.784	3

Source: Data processing results of the research team

Since the data satisfies the requirements of the above confidence factor analysis, all variables included in Cronbach's alpha analysis are retained for later analyses.

4.2 Exploratory Factor Analysis
The team performed a discovery factor analysis for each component scale. The EFA discovery factor analysis composite table for each scale below shows a KMO (Kaiser-Meyer-Olkin)>0.5 for all scales. Then we see that the Sig<0.05 value ensures the standard for all scales of independent variable components, the total variance extracted is greater than 50% according to the regulations and all converge on a single common factor, with the factor weights all large 0.5. After completing step one of the exploratory factor analysis, we have all the observed variables that are eligible for inclusion in the exploratory factor analysis.

Table 3: EFA discovery factor analysis composite results for each scale

Scale	KMO coefficient	Sig	Total variance extracted	Number of type factors	The number of factors that converge
Shared values	.714	.000	73.084	0	1
Style	.750	.000	87.330	0	1
Staff	.723	.000	78.925	0	1
Skills	.681	.000	66.424	0	1
Application	.728	.000	75.900	0	1

Source: Data processing results of the research team

The research team conducted a factor rotation, the results showed that 12 observed variables of the independent variable converged on 4 factors including Shared values, Style, Staff, and Skills to the application-dependent variable with factor weights all large 0.50.

4.3 Testing research models and hypotheses
To assess the relationship and impact trend of the group of components of Shared values, Style, Staff, and Skills, the study uses regression analysis methods with the support of SPSS software. The study uses multivariate regression equations, to determine the important role of each component in evaluating the relationship between factors and the applicability of the McKinsey model with the Soft Ss' group of factors in Vietnamese insurers

Table 4: Linear regression results

Model	R	R squared	R squared correction
1	.721a	.519	.508

Source: Data processing results of the research team

We see that Adjusted R square = 0.508 (>0.5) indicates 4 components that affect the application of the McKinsey model with the Soft Ss' factor group in Vietnamese insurance companies. Looking at the results of regression analysis, we see that the prerequisite hypotheses for regression analysis are all satisfied. Thus, we can see the results of reliable regression analysis. However, this match is only true for sample data. To verify whether it is possible to deduce the model to a real whole, we must verify the suitability of the model:

Table 5: ANOVA Inspection

Model	Total squared	Df	Squared average	F	Sig.
Regression	72.992	4	18.248	44.024	.000b
Residual	67.563	163	.414		
Sum	140.555	167			

Source: Data processing results of the research team

The results of the ANOVA test show that the test value F reaches a value of 44.042 at the sig significance level = $0.000 < \alpha = 0.1$. Thus, we reject the H0 hypothesis, accept the H1 hypothesis, which means that the 4 independent variable components Shared values, Style, Staff, Skills, and the Application dependent variable are each related. Therefore, the model fits into the data set and can be extrapolated to the whole.

Table 6: Results of multivariate regression model

Model	Unnormalized regression coefficient		Normalized regression coefficient	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.130	.246		.528	.598		
1 Shared values	.382	.070	.357	5.438	.000	.684	1.462
Style	.162	.050	.203	3.231	.001	.744	1.345
Staff	.189	.066	.188	2.879	.005	.692	1.444
Skills	.228	.066	.212	3.465	.001	.785	1.274

Source: Data processing results of the research team

The regression results table shows that the regression coefficients of Shared values, Style, Staff, and Skills factors are positive and $R = 0.721 > 0$ represents the components of Shared values, Style, Staff, and Skills that have a proportional impact on the application of the McKinsey model with the Soft Ss' factor group in Vietnamese insurance enterprises. At the same time, the regression results table also shows that the variance magnification coefficient VIF<2 meets the best conditions, proving that we do not have the problem of linear multi-additiveness in this study.

So the regression equation for normalized Beta coefficients is as follows:

$$UD = 0.357 \text{ Shared values} + 0.203 \text{ Style} + 0.188 \text{ Staff} + 0.212 \text{ Skills} \qquad (1)$$

5. Discuss the results

According to Hoang Trong and Chu Nguyen Mong Ngoc in the analysis of research data with SPSS, components with statistical significance less than 5% are retained, and components with statistical significance greater than 5% are removed. The greater the Beta coefficient of any component, the more important it is, in showing the degree of influence on the dependent variable. From equation (1), we see that the application of the McKinsey model with the Soft Ss' factor group in Vietnamese insurance companies depends on all four factors. The biggest influence was shared values with a beta of 0.357 (t=5.438 and Sig <0.05). When other factors remain unchanged, the value factor is assessed to increase (decrease) by 1 point, and the application of the McKinsey model with Soft Ss' factor group at Vietnamese insurance enterprises increases (decreases) by 0.357 points. Next, the second influence is the Skills coefficient with a beta of 0.212, 3rd is Style with a beta coefficient of 0.203, and finally Staff with a beta = 0.188. Currently, large enterprises such as Vinamilk and Honda have successfully applied the McKinsey model. To improve the ability to apply this model in management, businesses need solutions such as improving Shared values of businesses; business leaders make necessary and appropriate changes to improve the performance of the business or Staff in the enterprise are evaluated and arranged to work by professional capacity.

In addition, the business identifies the link between the factors. To apply the McKinsey model with the Soft Ss' factor group in Vietnamese insurance companies, businesses need to create a link between these four factors. Improving the Shared values factor of the business requires supporting factors such as Leadership Style or Staff to understand the development goals of the business. At the same time, businesses also need to make necessary changes in the development process of the business. For example, assessing the capacity of Staff at different stages of business development also needs to be evaluated differently. At the same time, businesses need to always consider factors. Changing one of the four elements will also affect the others.

6. References

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