STRATEGIC MANAGEMENT DETERMINANTS OF ORGANIZATIONAL PERFORMANCE IN THE INSURANCE INDUSTRY IN KENYA

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Strategic Management Determinants of Organizational Performance in the Insurance Industry in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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This thesis has been submitted for examination with my approval as University Supervisors.

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DEDICATION

This thesis is dedicated to my son Shammah Kibisu and daughter Sharlene Kibisu for their valuable support and understanding throughout this period. God bless you.

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ABBREVIATIONS AND ACRONYMS

AKI	-	Association of Kenya Insurers
ATM	-	Automated Teller Machine
BSC	-	Balanced Scorecard
CBK	-	Central Bank of Kenya
CEE	-	Capital Employed Efficiency
CEO	-	Chef Executive Officer
CIC	-	Co-operative Insurance Company
COMESA	-	Common Market for Eastern and Southern Africa
CSR	-	Corporate Social Responsibility
GDP	-	Gross Domestic Product
GIB	-	General Insurance Business
GWP	-	Gross Written Premium
HC	-	Human Capital
HCE	-	Human Capital Efficiency
HODs	-	Heads of departments
HRM	-	Human Resource Management
IC	-	Intellectual Coefficient
ICT	-	Information and Communication Technology
IRA	-	Insurance Regulatory Authority
KIT	-	Key Intelligence Topics
KM	-	Knowledge Management
LIB	-	Life Insurance Business
MDGs	-	Millennium Development Goals
MIPs	-	Medical Insurance Providers
OP	-	Organizational Performance
RBV	-	Resource-Based View
RC	-	Relational Capital
ROA	-	Return On Assets
ROE	-	Return On Equity
ROSCAs	-	Rotating Savings and Credit Associations

SACCOs	-	Savings and Credit Co-operative Societies
SBSC	-	Sustainability Balanced Scorecard
SC	-	Structural Capital
SCA	-	Savings and Credit Associations
SCE	-	Structural Capital Efficiency
SPSS	-	Statistical Package for Social Sciences
SSA	-	Sub Sahara Africa
US	-	United States
VAIC	-	Value Added Intellectual Coefficient

DEFINITION OF TERMS

Core competency: Core competency refers to an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity (Zina & OLeary, 2010).

Financial institution: An institution that provides financial services for its clients or members (Onserio, 2013).

Innovation: It is the act of starting something for the first time; introducing something new (Meldrum, 2012).

Intellectual capital: This is the pillars of the future of any enterprise; it's an indicator of whether an enterprise can operate effectively (Edvinsson, 2003).

Strategic management: is involved in deploying a firm's internal strengths and weakness to take advantage of its external opportunities and minimize its external threats/problems (Adeleke, Ogundele & Oyenuga, 2008). It is the process which deals with the fundamental organizational renewal and growth with the development of strategies, structures, and systems necessary to achieve such renewal and growth, and with the organizational systems needed to effectively manage the strategy formulation and implementation processes.

Strategic management determinants: the strategic factors that affect the process through which organizations analyze and learn from their internal and external environments establish strategic direction, create strategies that are intended to help achieve established goals, and execute these

strategies, all in an effort to satisfy key organizational stakeholders (Agha, Alrubaiee & Jamhour, 2012).

Strategy: This is a course of action and allocation of resources that matches the organization's activities with the existing and projected environment (Alai, Kramer & Montier, 2012).

Technology: Technology includes methods for communication, as well as techniques for storing and processing information (Hansen, 2011).

ABSTRACT

The purpose of the study was to establish the strategic management determinants of organizational performance in the insurance industry in Kenya. The study was guided by the following objectives; to analyze the effect of strategic orientation, core competences, intellectual capital and organizational culture affect performance in the insurance industry in Kenya. The study was grounded on resource-based view theory, competitiveness theory, contingency theory and theory of strategic balancing. The study adopted a descriptive research design. The target population for this study was the senior and middle level management staff of the 49 insurance companies registered with the Association of Kenya insurers (AKI) by December 2014. The study selected the respondents using stratified proportionate random sampling technique. Primary data was obtained using self-administered questionnaires administered using a drop and pick later method. Descriptive statistics such as frequencies, percentages, mean score and standard deviation was estimated for all the quantitative variables and information presented inform of tables and graphs. Inferential data analysis was done using Pearson correlation coefficient and regression analysis (multiple regression analysis) to establish the relations between the independent and dependent variables. Hypothesis testing was done using p-value in a Chi-square test. F-statistic was also be computed at 95% confidence level to test whether there is any significant relationship between strategic management determinants and performance of insurance companies in Kenya. The correlation results revealed that strategic orientation, core competences intellectual capital and organizational culture all promoted performance in the insurance industry in Kenya. The study recommends that the HR of insurance companies in Kenya needs to need to ensure that firm's policies encourage employee sense of belonging, policies that provide constant feedback on the positives and negatives, encourage open communication, and develop policies that communicate clear goals and expectations to the employees. Employee development should also be encouraged to tap intellectual capital. Standard employee compensation packages should be implemented to poster motivation for better employee productivity. Insurance companies in Kenya should develop strategic marketing plans that differentiate each organization from the market rivals. Continuous market innovation and product development is also advocated. Strong focus on customer retention and building of loyalty is recommended. Insurance firms in Kenya should implement knowledge management systems as this was associated to be a key driver towards Performance of Insurance Companies. Periodically, insurance firms in Kenya should carry out SWOT analysis, business reengineering process is also encouraged to keep operations on tack. Internal flow of activities is effective as the quality of coordination was found to be a crucial factor posting positive performance of organization and that management should work to ensure that strategic policies actively promote organizational effectiveness, reputation, values and ethics. This

study contributes to the existing body of knowledge concerning strategic management which has become popular among companies. With the good use of Intellectual capital, it is likely to result ineffective management and performance. The purpose is to stimulate organizational capitalization on intellectual capital and to increase company competitiveness. Further, since organizational core competencies are the basis of advantage in organizational competition, this study realization of these core competencies will allow managers to maintain the competitiveness of the companies. Finally the study result also promotes clear understanding on organizational culture especially on leadership.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The competitive business environment in the twenty first century has resulted into complexity and sophistication of business decision-making which requires strategic management (Olanipekun, 2014). Managing various and multi-faceted internal activities is only part of the modern executive's responsibilities. The firm's immediate external environment poses a second set of challenging factors. To deal effectively with all that affects the ability of a company to grow profitably, executives design strategic management processes they feel will facilitate the optimal positioning of the firm in its competitive environment. Strategic processes allow more accurate anticipation of environmental changes and improved preparedness for reacting to unexpected internal and competitive demands (Fiberesima & Rani, 2013).

Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments (Nag, Hambrick & Chen, 2007). It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. Strategic management is a level of managerial activity under setting goals and over tactics. Strategic management provides overall direction to the enterprise. Strategic management includes not only the management team but can also include the Board of Directors and other stakeholders of the organization. It depends on the organizational structure (Olanipekun, 2014).

In the globalization era, the strategic management has been considered as the most important practice which distinguishes organizations from each other (Sharabati & Fuqaha, 2014). Strategic management is the key process to achieve organizational vision, strategy and objectives. All organizations whatever they are, whatever they

do, they should perform a strategic management practices to insure that they fit within their environment. Strategic management permits the systematic management of change. It enables organization to purposefully mobilize resources towards a desired future. Practice of strategic management enables firms define their strategies which provide a central purpose and direction to its activities to people who work in the firm and often to the outside world. Firms can and often do create their environment besides reacting to it (Johnson & Scholes, 2013).

Well justified decisions and clearly defined strategies are vital if the firm is to achieve its goals and objectives while optimizing the use of its resources. The business environment has known various changes that have compelled managers to develop and adopt responsive strategies in order to remain relevant (Peng, 2013). Organizations that have ignored the severity of these changes and not made good strategic choices have shut down. Iravo *et al.* (2013) states that one of the important questions in business has been why some organizations succeed and why others fail which has influenced a study on the strategic management determinants of organizational performance. Strategic management determinants of performance involve the translation of business strategies into deliverable results. It combines financial, strategic and operating principles to gauge how a company is able to meet its targets (Mshenga & Owuor, 2009). Strategic determinants of performance are closely linked to specific strategies and value drivers in order to maximize organizational performance and may include aspects such as an organization inherent strategic orientation and core competences including its capabilities construed in its culture and intellectual capital.

The insurance business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yesteryears strategies irrelevant. Top management and decision makers of insurance firms must constantly think strategically about the future of their organizations. The environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weakness to be overcome (Pearce & Robinson, 2010).

Insurance firms continuously strive for ways to attain sustainable competitive advantage (SCA) over their peers. They need to count more on their internally distinguished strengths to provide more added customer value, strong differentiation and extendibility (Kumba, 2011). Internal distinguished strengths are the organization's core competencies. Core competencies aid in shaping the future of organization. Thus, to achieve success, organization must possess core competencies and capabilities that are unmatched by their industry rivals. Therefore, building core competence becomes essential to competitive advantage because advantages emanating from the product-price-performance-tradeoffs are almost short term. Especially in an era where technologies are altering the existing boundaries of business; advantage can last only through competence enjoyed at the very roots of products. And only through expertise over several technologies and a complete command on their infinite variety of users, a company can occupy a highly advantageous position (Brown & Davison, 2010).

To build successful core competencies, organizations must also put together a strong management team and attract and retain employees with necessary experience, technical skills and other soft skills. According to Olanipekun (2014), the world economies are undergoing transformation and changing from manual to knowledge intensive activities which are basically intellectual capital. This knowledge-based economy compelled many companies and countries to plan strategies for repositioning in the emerging knowledge economy with remaining competitive. Lonnqvist *et al.* (2009) observed that intellectual capital management plays a very key role in ensuring the alignment of the change content with the strategic goals of the organization. Cabrita and Vaz (2012) reiterated that intellectual capital especially the human and relational capital is the core of running insurance business. One of the problems that insurance firms in Kenya face is low human capital. A study done by Price Water House Coopers (2010) on Kenyan insurance firms found that there is a human capital challenge facing insurance firms, where many insurers are facing mounting skills shortages. Yet, investment in recruitment, training and career development often trails behind other financial sectors. The primary focus can often be short-term demands rather than securing the talent companies need to meet longer term strategic objectives.

Further, to succeed in building a sustainable competitive advantage, insurance companies must try to change their strategic orientation to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for (Greene, 2010). Therefore enterprises should depend on both developments of physical product and on good service delivery to remain invincible in the market competition. Management must make the measurement of service quality and feedback from the customer a basic part of everyone's work experience. This information must be available and understood by everyone, no matter what their level. The entire organization must become obsessed with what the customer wants (Hartarska, 2013).

In addition, the culture of an organization is something that can have an enormous impact on the way in which an organization operates, and its effectiveness. Nowadays, no organization can go on its mission and last in the world of competition without maintaining a strong advantageous culture. Meldrum (2012) indicated that encouraging an environment of organizational culture empowers the employees to deliver their best and that the economic growth of a company is derived not only from the management efforts, but also from the bottom line employees who give their best to support the organization. However, according to Korir (2014), although the Kenya insurance companies have tried harness and align their organizational culture to their strategies in order to improve their performance, the insurance sector is not effectively implementing its strategies because employees have a culture that they do not want strategy to change.

1.1.1 Global Perspective

In today's competitive market place, organizations around the globe require some form of strategy to enable them to identify where they are, where they are going, how they shall reach there and how they shall know that they have reached (David, 2011). Dess, Lumpkin and Taylor (2013) observe that strategic management is a management process consisting of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages. It is concerned with the analysis of strategic goals and internal and external environment. It enables the

management to make decisions on which areas to compete in and how to compete. It enables development of procedures and plans to achieve set goals and to allocate corporate resources to enable the implementation of the plans. These activities enables the organization to be future-oriented; provide direction; enables the organization to strategically fit in the environment it operates; motivates employees as they are involved in various strategic management activities; enables managers to be alert to winds of change; provide a criteria for evaluating performance; facilitates identification, prioritizing and exploitation of opportunities and harmonization of numerous decisions of individuals and groups and enhance overall performance of the organization (Coulter, 2008; Yabs, 2010).

Today management is needed in all types of organizations regardless of their size, at all organizations levels and in all work areas. Because management is universally needed, improving the way an organization is managed is one of the keys to success, and the importance of strategic management to achieve this goal is recognized around the world. Strategic management is one of the best practices that can promote performance in an organization if strategic leadership, ethics and strategy, strategic communication, strategic change, strategic organization culture, strategic systems analysis, managing strategic failure, globalization and environment, strategic skills and knowledge, strategic diversification and strategic information systems analysis are keenly utilized efficiently and effectively. The insight of this study is that in contemporary business environment there is variation in performance among firms. This is further manifested through collapse and insolvency of many organizations (Churchill & Frankiewicz, 2012).

Agiobenebo and Ezirim (2012) observe that the link between strategic management and performance is supported by studies conducted in America which found that deliberate and systematic formulation and implementation of strategies produces significantly better performance than unplanned opportunistic adaptive approach insurance companies just like other organizations needs to adopt strategic management, in order for them to meet their organizational goals and enable the poor to break the cycle of poverty.

The insurance industry forms an integral part of the global financial market, with insurance companies being significant institutional investors. In recent decades, the insurance sector, like other financial services, has grown in economic importance. This growth can be attributed to factors such as rising income and demand for insurance, rising insurance sector employment, and increasing financial intermediary services for policyholders, particularly in the pension business (Ward & Zurbruegg, 2010). Expanding on the link between GDP and insurance market development, it must be remembered that the insurance industry‘s primary function is to supply individuals and businesses with coverage against specified contingencies, by redistributing losses among the pool of policyholders. Insurance companies, therefore, engage in underwriting, managing, and financing risks.

Insurance companies provide unique financial services to the growth and development of every economy. Such specialized financial services range from the underwriting of risks inherent in economic entities and the mobilization of large amount of funds through premiums for long term investments. The risk absorption role of insurers promotes financial stability in the financial markets and provides a sense of peace to economic entities. The insurance companies' ability to cover risk in the economy hinges on their capacity to create profit or value for their shareholders. A well developed and evolved insurance industry is a boon for economic development as it provides long- term funds for development (Charumathi, 2012; Agiobenebo & Ezirim, 2012). The individual insurance company capacity to effectively match its strategies and capabilities to the changing environment will determine its competitive positioning in the micro finance industry. Insurance industry has become an important tool for poverty reduction in many parts of the world (Lascelles *et al.,* 2011).

1.1.2 Regional Perspective

The past decade has seen a dramatic rise in the number of insolvent insurers in many African countries. The perceive causes of these insolvencies were myriad. Some of the insolvencies were precipitated by rapidly rising or declining interest rates, mispricing of insurance policies, natural catastrophes, and changes in legal

interpretations of liability and the filing of false claims, poor credit policies among others. The churning of polices by unscrupulous sales agents, insolvencies among the re-insurers backing the policies issued, noncompliance with insurance regulation, and malfeasance on the part of officers and directors of insurance companies affected as well (Baldoni, 2008). As a result of globalization, deregulation and terrorist attacks, the insurance industry has gone through a tremendous transformation over the past decade (Sanchez, 2012). There are many factors to examine when looking at insurance companies. More than anything, both consumers and investors should concern themselves with the insurer's financial strength and ability to meet ongoing obligations to policyholders. Poor fundamentals not only indicate a poor investment opportunity, but also hinder growth. Nothing is worse than insurance customers discovering that their insurance company might not have the financial stability to pay out if it is faced with a large proportion of claims (Babbel & Klock, 2010).

While insurance companies hold billions of shillings belonging to the general public, including buyers of their products, retirement benefit schemes and funds managers, information on these companies is scanty. For large consumers of insurance products, this group usually relies on the expertise of qualified risk management consultants to offer advice on where to place their insurance covers (Kumba, 2011). But it is the retail consumer of insurance who is left to grope in the dark, constantly dazzled by overzealous insurance agents, all trying to outdo each other in selling one product or the other. With a shortage of qualified insurance sales people to sell products, the general public is left without any basis on which to make an informed expenditure or investment decision on which company to place their cover with (Kumba, 2011).

Empirical evidence establishes that less than 15 percent of the population in developing countries has access to the mainstream financial services (Aryeetey, 2012). The insurance sector, apart from being a critical component of the financial system, is also regarded as a poverty reduction strategy for developing countries (Kyereboah-Coleman, 2007). It is in this regard that insurance industry is very crucial. East Africa is the least developed region. Interventions through the delivery

of insurance services are considered as one of the policy instruments of their government to eradicate poverty (Jelinek, Smircich & Hirsch, 2008).

1.1.3 Local Perspective

The insurance industry in Kenya has become very competitive due to the shrinking demand of non-compulsory insurance products and negative perception by the general public. The penetration levels are estimated at 3.02% which is very low compared to the developed countries (AKI, 2012). In an effort to improve the performance of insurance companies, managers formulate and implement various strategies. Many managers in the industry know their businesses and the strategies required for success but they struggle to translate these theories into action plans for successful implementation of strategies (Wahome, 2013).

The environment in which insurance companies operate in Kenya is faced by several challenges dependent on the people, the status of the market, legislation and lack of proper information. The Kenyan insurance market is young and still not well versed with the diversity of the insurance industry as most people are not used to paying premiums in order to alleviate the risk but most like motor insurers are forced by law such that they normally insure just to use the roads and not as a means of protection (Kogi, 2009). Lack of a big pool of customers has led to some risks being uninsurable as the insurance relies on the principle of creating a common pool so that the good of many benefit the misfortune of some. Lack of proper research has led to a poor background for decision making especially in finding out the insurable risks and setting up the premiums to forgo in order to gain the insurance cover (Akwir, 2012).

Insurance industry in Kenya is highly fragmented with about forty registered insurance companies writing long and short-term business. In 2013, two leading companies accounted for 20% of the short-term premium income, eight had shares ranging between 3.7% and 6.3% adding to 37%, while the rest of the companies, controlled 43% of the market. There were twenty-one companies actively writing long-term business. The top five dominated the market with a share of 68% of the gross premium income. The life insurance sector is driven by two main lines of

business; ordinary life and superannuation, which includes group life assurance and deposit administration (Olotch, 2014).

By world standards, the Kenya insurance market is very small in terms of premium income. It is however one of the leading markets in Africa occupying the 7th position 5going by the 2003 statistics published in Sigma. It ranks fourth in terms of insurance penetration after South Africa, Mauritius and Zimbabwe with a rate of 3.09%. Life and non-life corresponding rates were 0.81% and 2.28% respectively. In 2013 the market premium was Kshs 27.9 billion (US$ 411 million), which grew to Kshs 32.60 billion (US $ 446.60 million) the following year, with a breakdown of Kshs 9.97 billion and Kshs 22.63 billion for long and short-term business, respectively (Olotch, 2014).

In 2011, the industry registered improved performance despite the decline in the country's economic growth. The industry recorded gross written premium of Kshs 91.60 billion compared to Kshs 79.06 billion in 2010, representing a growth of 15.9%. The gross written premium for non-life insurance was Ksh 60.67 billion (2010: Ksh 52.35 billion) while that for life insurance was Ksh 30.93 billion (2010: Kshs 26.71 billion). Non-Life insurance premium grew by 15.9% while life insurance premium grew by 15.8% (IRA, 2012).

The insurance industry is facing many challenges. The first challenge is to come up with a solution for companies whose viability is threatened by their inability to meet policyholders' claims. The second major challenge is how to generate growth for an industry that has significant potential for growing as a percentage of Gross Domestic Product (GDP). The industry's annual performance exceeded the overall economic growth of 4.4% recorded in 2011. The insurance penetration is estimated at 3.02%, which compares well with the emerging markets average of 2.7% (AKI, 2012). This shows the Kenyan insurance industry has great potential for growth. To overcome these challenges individual companies must generate and implement strategies geared towards improving organization's performance in a competitive environment.

The future of insurance in Kenya is bright given the huge un tapped market, increase in the use of Information and Communication Technology (ICT), utilization of alternative distribution channels such as banks and Savings and Credit Co-operatives (SACCOs), research and new product development (Ndung'u, 2013). The government recognizes the critical role played by insurance as a sector in the economy. It has documented the sector as a major player in the financial sector in the achievement of Vision 2030.

Kenya is underinsured at penetration rate of 3% for a population of 40 millions compares poorly with India at 4% penetration for a population of over a billion and contrasts with South Africa with a penetration of 16% for a population of 50 million. This shows the importance of having a insurance sector which can add more to economic development of the country, which signifies a huge potential for the insurance business in country. From 2010, the insurance sector of Kenya shows a steady growth (Global Credit Rating Agency, 2010).

In the insurance industry in Kenya, the products and services offered by insurance companies are rarely differentiated. For example general insurance firms sell almost similar traditional products. For instance, the standard motor insurance product is being sold at a strictly regulated rate with a legal requirement of instant premium payment before cover is considered effective. In addition, the rating of huge risks (commonly referred to as Listed Risks), is heavily controlled by IRA which consults with a panel of AKI members to provide the rating guidelines hence a uniform rate across the industry for the identified specific risk. Industry players are therefore not allowed to vary the rate for compliance purposes. This leads to firms seeking other avenues of competition other than price (Kaguma, 2011). As a result, insurance firms have to be smart to beat their competitors to the business. Some companies then invoke their customer care skills, speedy service delivery among others to beat the competition.

1.1.4 Insurance Industry in Kenya

The genesis of Kenya's insurance industry can be traced back to colonial rule at the beginning of the 20th century. The industry operated in a stable environment until the introduction of the Insurance Act Cap 487 of the laws of Kenya in 1987 that heightened government supervision. The volatile socio-political and economic conditions prevailing in the 1990s shook the industry leading to major loss of market share, drastic increase in the cost of doing business, or a ground floor entry into a new business (Karua, 2008). First to wind up was the Kenya National Assurance Company limited, ironically a monopoly at the time, going under with government investments and policyholders' funds (Owuoth, 2010). The second was Access insurance, then Stallion Assurance and Lakestar that was put under liquidation. Even when the companies have not gone under, a majority are forced to lay off large numbers of employees (Kogi, 2009).

Insurance business in Kenya is governed by the Insurance Act 1 of 1985 which provides the registration of Insurance companies, Intermediaries, Risk managers, Loss adjusters, Insurance surveyors and Claim settling agents. All persons and companies carrying out insurance business in Kenya must be registered (Christian, 2012). After independence transformation has taken over Kenya's insurance industry. In reference to Association of Kenyan Insurers, in the end of 2009 there were 44 licensed insurance companies, 20 companies engaged in nonlife insurance while 9 wrote life insurance and 15 companies were composite engaging in both life and non life insurance. The industry had 137 licensed insurance brokers, 21 Medical Insurance Providers (MIPs) and 3,076insurance agents. Other licensed players included 106 investigators, 57 motor assessors, 18 loss adjusters, 2claims settling agents, 5 risk managers and 26 insurance surveyors (AKI, 2009).

Kenya's insurance industry leads within the East Africa Community (a trading block of Kenya, Uganda and Tanzania), and is a key player in the COMESA region (Common Market for Eastern and Southern Africa). The industry employs over 10,000 people, underwrites well over €300m premiums, and pays over €120m per

annum in claims. The largest 10 insurers handle over 70% of the motor business with a similar number handling well over 90% of the property business in the market.

According to Olotch (2010), the number of players in the Insurance industry is relatively large. According to the Business Monitor International (2012), on the study on Kenya's insurance sector remains dynamic and resilient. Due to stiff competition in the insurance sector, there are transformational changes on the horizon that are putting existing insurance business models at risk, this is due to unsuitable strategic management practices. The insurers that adapt will hone their risk management capabilities, focus keenly on the customer, build their analytical capability, and have a superior capacity for innovation and reinvention, while at the same time maintaining their focus on all relevant financial reporting and compliance related developments (Pwc Insurance Report, 2013).

The main players in the Kenyan insurance industry are insurance companies, reinsurance companies, intermediaries such as insurance brokers and insurance agents, risk managers, loss adjusters and other service providers (Insurance Regulatory Authority, 2010). There were 49 insurance companies operating in Kenya as at the end of 2019. 25 companies wrote non-life insurance business only, 10 wrote life insurance business only, while 14 were composite (both life and non-life). There are 141 licensed insurance brokers, 14 medical insurance providers (MIPs) and 3,668 insurance agents. Other licensed players included 105 investigators, 75 motor assessors, and 21 loss adjusters, 2 claims settling agents, 8 risk managers and 23 insurance surveyors. The insurance companies in Kenya have an umbrella body known as the Association of Kenya Insurers (AKI), which lobbies on behalf of the insurance industry.

The achievements that have been realized in the Kenyan insurance industry include: business growth, development of products, the management of claims, marketing and good management among others (Mose & Kuloba, 2013). The insurance industry is important in an economy. In Kenya, the contribution of the life insurance sector to the GDP grew by 11.7% to 1.05% in 2010 compared to 0.94% in 2009 (AKI report, 2011).

The insurance industry in Kenya plays the financial intermediary role that contributes significantly to the realization of the Kenya Vision 2030. Kenya Vision 2030 aims to achieve an average Gross Domestic Product (GDP) growth rate of 10 percent per annum (Kenya Vision 2030 Report, 2007). The insurance industry falls in the financial services sector, which is among the priority sectors that are expected to spur the country's economic growth. This study focused on insurance companies because their performance will impact on the achievement of the Kenya Vision 2030. The Kenyan insurance industry has been known to be conservative as innovation has not been fully embraced by these firms. For this reason, the Insurance Regulatory Authority has continuously advocated for innovation activities to enhance performance (AKI, 2011). This is evidenced by the fact that insurance penetration remains low at 3.3 percent. The 49 insurance firms shared a net profit of Sh7.7 billion, which is less than the Sh10.5 billion Barclays Bank profit after tax posted in the year 2012 (Barclays Bank, 2012). This has reignited the debate on need for consolidation with analysts arguing that the crowded field has paved way for unprofitable rate wars with the smaller players emerging key losers.

Considering the competitive climate in the insurance industry, good management is proving an important element in keeping afloat an organization thus functional board of directors, strategic management, landmark internal control systems and corporate governance are proving worthwhile for the industry players (Mose & Kuloba, 2013). Among the challenges that are facing the insurance industry in Kenya include: the difficulty that is faced in terms of the volumes of claims and the pressure that comes from claimants and also fraud which leads to increased loss ratio. In a nutshell, the Association of Kenya Insurers 2011-2015 Strategic Plan pinpoint the challenges facing the industry to include issues such as new, more financially powerful international entrants, increased regulation in the industry, traditional modes of operation (no integration of IT processes), difficulty in premium collection, fraud, losses especially in the area of the transport, meeting demands of sophisticated consumers, too many players and Lack of trained manpower (AKI, 2011).

The insurance industry in Kenya has witnessed increased aggressive competition in the recent past and this has forced insurance firms to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively. Afi (2014) indicated that the insurance industry has become complex and at the same time the dynamic mutation witnessed with regards to regulatory changes and increasing competition have rendered strategic thinking unavoidable. The Kenya Insurance Outlook (2013) also on the other hand indicate that there are emerging market in the insurance industry thus a well formulated and accounted for strategy is needed for any success to be witnessed among industry players. Availability of core competencies in many insurance firms remains as a major challenge as most staffs are not professionally trained in insurance matters (AKI Robert, 2016). This leads to new product innovation problems that greatly affect development of products with higher demand in the insurance market (Michael, 2010). During strategy implementation, designing actions plans for guiding strategy implementation process is key problem facing many insurance firms in Kenya (Anderson, 2010).

The average growth rate of General Insurance Business (GIB) was 15.9% in year 2011. However, 22% recorded negative growth, 35% recorded below average growth, 32% had 16% - 50% growth while 11% recorded growth of over 50% during the same year (AKI, 2012). This shows that some companies have continued to perform poorly while others have been successful. Some factors leading to poor performance are inability to deal with intensive cut-throat competition, lack of innovative products and poor customer services. The differential performance could also be attributed to management utilization of company’s value creation potential, inherent dynamic and functional capabilities and unique core competencies (Hansen, 2011).

AKI (2009) reported that low insurance penetration through strategy is one of the challenges facing the insurance industry development in terms of market share, product diversification among other measures. In Kenya, insurance growth was 2.84% in year 2009 compared to 2.63% in previous year while South Africa whose growth was 12.9% with a population of 44 million. The penetration of 3.02% in 2011

is compared to 3.1% in 2010. Life insurance recorded a penetration ratio of 1.02% while that of non-life insurance was 2.00%. The penetration of Insurance among the Kenyan population is also low compared to other countries outside Africa. A good example is Malaysia which has an estimated 41% of the population covered by some form of life insurance in comparison to Kenya that has less than 1% of the population insured.

The insurance industry in Kenya is experiencing various challenges key among them being negative market sentiment following closure of at least five insurance providers over the past five years due to insolvency arising from high claims (average 61%), (Ndung'u, 2013). Due to this poor image, those customers who can afford insurance do not willingly buy insurance. Wahome (2013) observed that insurers have turned to underpricing for survival and underwriting profits for the industry average 3% over the past 4 years and have however remained low due to weak pricing and increased fraudulent claims. Rate cutting below economically justifiable levels is not uncommon coupled with unconventional competition practices such as unsustainable incentives for employees and others in order to win new business relationships (Wahome, 2013). With such thin premiums, some insurance companies have been unable to make good their promises to customers thus lowering public trust.

Proper strategies in management of resources and planning can solve many problems faced by insurance companies today (Chamberlin, 2009). A study conducted by Micro Strategy Business Intelligence in the year 2010 discovered that change has become inevitable and that insurance companies are facing challenging market conditions thus their need to change the manner in which they do business; strategies have to be revisited and policy has to be altered in a manner that its effectiveness can be measured which in the long run will ensure optimal use of resources to maximize on profits. This study reflects my deepening belief that the poor performance of the insurance industry in Kenya stems from the industry's in ability to understand the strategic management determinants of performance which would enable it achieve sustainable competitive advantage. This study therefore sought to answer the

question, what are the strategic management determinants of organizational performance in the insurance companies in Kenya?

1.3 Research Objectives

1.3.1 General Objectives

The main aim of the study was to explore the strategic management determinants of organizational performance in the insurance industry in Kenya.

1.3.2 Specific Objectives

The study was guided by the following objectives;

i. To analyze the effect of strategic orientation on performance in the insurance industry in Kenya
ii. To establish the effect of core competences on performance in the insurance industry in Kenya
iii. To evaluate the effect of intellectual capital on performance in the insurance industry in Kenya
iv. To determine how organizational culture affect performance in the insurance industry in Kenya

1.4 Research Hypotheses

H_1: There is no significant effect of strategic orientation on performance in the insurance industry in Kenya.

H_2: There is no significant effect of core competences on performance in the insurance industry in Kenya.

H_3: There is no significant effect of intellectual capital on performance in the insurance industry in Kenya.

H_4: There is no significant effect of organizational culture on performance in the insurance industry in Kenya.

1.5 Significance of the Study

The study sought to identify and practically measure through research, the level to which strategic management has taken into consideration performance rating. This study is significant to many insurance companies in Kenya which are struggling to triumph and penetrate the Kenya market through suitable strategic management practices. With regards to the management, the study would be of significance in a twofold manner: management in organizations are charged with the responsibility of creating policies and practices for the insurance companies which play a key role in influencing insurance regulations in the industry. This implies that the findings would provide a clear picture of the link between strategy and performance and on how best they can be harmonized to meet the intended results. The study would also come up with best practices for strategic management and performance rating in the insurance industry since a correlation would be established between strategic management and performance rating of various companies and how well they are doing.

Policy makers and implementers can use the findings to set guidelines and bench marks the best practices as far as strategic management is involved and how to manage challenges to effective management practices. The findings would unfold essential or critical skills that policy makers and implementers should source for in successful implementation of strategic management. The government through the Insurance Regulatory Authority would benefit from this study by identifying whether the industry performance is affected by strategy implementation by various insurance companies. The study would inform the regulator on the best policies they can recommend to the industry. With the introduction of Risk Based Supervision IRA would be guided on the level of supervision to adopt for various companies in order to safeguard the interest of the policy holders and the general public.

Findings of this study would have theoretical, methodological and policy implications for insurance companies in Kenya. The results of this study would lend support to the resource based theory, competitiveness theory and contingency theory. The results of this study would establish whether resources are statistically

significantly influence firm performance directly and indirectly. This is in tandem with the RBV and competitiveness theory. The study would empirically illustrate the magnitude of the relationships among organizational resources and firm performance. The results would contribute to the RBT by indicating to managers of insurance firms that it is how resources are combined that leads to a competitive advantage. It is the bundling/re-bundling and configuration of resources by managers that would lead to superior performance in line with.

To the investors, this research would hopefully add to the body of knowledge about the insurance sector. Being a developing and dynamic sector, insurance sector has been recognised as one of the vehicles for the attainment of Kenya's vision 2030 and would continue to derive a lot of interest for investors and researchers in the developing world. The findings would also be important to academics and researchers as basis for further researches. The study would provide the background information to research organizations and scholars who would want to carry out further research in this area. The study would facilitate individual researchers to identify gaps in the current research and carry out research in those areas.

1.6 Scope of the Study

The purpose of the study was to explore the strategic management determinants of organizational performance in the insurance industry in Kenya. The study focused on; strategic orientation, core competences, intellectual capital and organizational culture effect on performance in the insurance industry in Kenya. The study focused on all the 49 registered insurance companies in Kenya as at December 2014. A population of 677 senior management staff was drawn from the following departments: finance, marketing, operations, human resources, risk and compliance and ICT since all their functions are centralized. This included the departmental heads and their assistants at the headquarters. The population also included the CEOs of each of the company. The study was conducted for a period of twelve months.

1.7 Limitation of the Study

The study anticipated unwillingness by respondents to reveal information which was considered as confidential. To counter this limitation, the researcher assured the respondents of proprietary measures that the findings would be accorded and used. The researcher also assured the respondents that the information they offered would be held confidentially and would be used for academic purposes only.

In addition, the findings of this study were limited to the extent to which the respondents were willing to provide accurate and reliable information. The researcher checked for consistency and tested the reliability of the data collected which made the study a success.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this second chapter, relevant literature information that is related and consistent with the objectives of the study is reviewed. Important issues and practical problems are brought out and critically examined so as to determine the current facts. This section is vital as it determines the information that link the current study with past studies and what future studies will still need to explore so as to improve knowledge. This chapter covers contributions from other scholars on insurance companies and more particularly to the strategic management determinants of insurance companies' performance. The chapter is structured into theoretical review, empirical review, and conceptualization, critique of the existing literature relevant to the study, summary of literature and research gaps.

2.2 Theoretical Framework

This section looks at the theoretical underpinning of the study by specifically reviewing the resource-based view theory, competitiveness theory, contingency theory and theory of strategic balancing.

2.2.1 Resource Based Theory

The resources based view theory argues that collections of resources within firm enable it to have unique attributes and hence better performance (Barney, 2004; Penrose, 1994). Influenced by Porter's studies in the 1980s, strategic management explains a firm's success regarding industrial sector features. From this point of view, firms in the same industrial sector having the same opportunities with few, if any, differences between them, remain that way only for a short period of time. Nevertheless, it is observed that an enterprise from the same industrial sector can be profitably different for a long time. Not only do external factors determine the firm's success and profitability but internal factors also play an important role (Brockhaus, 2013). This idea is the origin of the resource-based theory. This new perspective

considers that each enterprise is heterogeneous, having different established resources which arise from its own past history. Heterogeneous character can be maintained for a long time, thereby, having long-term income. The origin of the resource-based theory can be found in Penrose (1994). This author defined the enterprise as joint productive resources lending various services which determine the growing possibilities of the enterprise.

A firm's distinctive competence is what it is that an enterprise does especially well. For this reason, Andrews considers that a competitive advantage depends on the relationship between environmental opportunities and a firm's distinctive competencies. The resource-based theory considers that internal aspects of an enterprise are very important. The firm is viewed as a nexus of resources and capabilities that are not freely bought and sold in the spot market. To the extent that these firm-specific resources and capabilities yield economic benefits that cannot be perfectly duplicated through competitors' actions, they may be potent sources of sustained competitive advantage (Vijay & Ramola, 2013).

Along general lines of this theory, two key concepts are resource and capability. By a resource is meant anything which could be thought of as strength or a weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm. Examples of resources are: brand names, in-house knowledge of technology, employment of skilled personnel, trade contracts, machinery, efficient procedures and capital (Rosenberg & Richard, 2010). Resources are the inputs into the production process. Resources can also be defined as all input factors--tangible and intangible, human and nonhuman--that are owned or controlled by the firm and that enter into the production of goods and services to satisfy human wants. The two categories of resources are tangible and intangible. The tangible resources are the easiest to identify and evaluate. They are reflected on balance sheets of the firm and are valued with accounting criteria. Intangible resources are more difficult to identify and value. No property rights are clearly defined as they are based on no codified information.

Capabilities must be defined apart from resources. A capability is joint resources to produce any work or activity. Grant established a hierarchy of resources and capabilities. Resources (first level) are combined to create capabilities (second level) which are the basis for a competitive advantage (third level). Therefore, this point of view allows evaluation of the firm's capacity to create a competitive advantage from resources or capabilities and the possibility of maintaining that competitive advantage over time (Marguerite, 2013).

Building on the RBV, Hoopes, Madsen and Walker (2010) suggest a more expansive discussion of sustained differences among firms and develop a broad theory of competitive heterogeneity. The RBV seems to assume what it seeks to explain. This dilutes its explanatory power. For example, one might argue that the RBV defines, rather than hypothesizes, that sustained performance differences are the result of variation in resources and capabilities across firms. The difference is subtle, but it frustrates understanding the Resource Based View's possible contributions (Hoopes *et al.,* 2010). The Resource Based View's lack of clarity regarding its core premise and its lack of any clear boundary impedes fruitful debate. Given the theory's lack of specificity, one can invoke the definition-based or hypothesis-based logic any time. Again, we argue that resources are but one potential source of competitive heterogeneity. Competitive heterogeneity can obtain for reasons other than sticky resources (or capabilities) (Hoopes *et al.,* 2010). Competitive heterogeneity refers to enduring and systematic performance differences among close competitors.

The RBV uses firms' internal characteristics to explain firms' heterogeneity in strategy and performance. A firm is an organized, unique set of factors known as resources and capabilities, and RBV theory cites two related sources of advantages: resources and capabilities. Resources are a firm's accumulated assets, including anything the firm can use to create, produce, and/or offer its products to a market. Resources are eligible for legal protection, as such, firms can exercise property rights over them (Amit & Schoemaker, 2003); can operate independently of firm members (Camisón, 2013); and intervene as factors in the production process to convert input into output that satisfies needs (Grant, 2011).

Traditionally organizations have been measuring their performance through financial measures like profitability and return on investment. These measures have been overtaken by events since they are out of steps with skills and competences organizations are trying to master today. Kaplan and Norton (1992) devised the Balanced Scorecard (BSC), a set of measures that give the managers fast and comprehensive view of their business. BSC includes the financial measures and operational measures on customer satisfaction, internal processes and the organization's innovation and improvement activities. This enables companies to track financial performance while simultaneously monitoring progress in building the capabilities and acquiring the resources needed for future growth.

The resource-based view (RBV) offers critical and fundamental insights into why insurance companies with valuable, rare, inimitable, and well organized resources in terms of intellectual capital and core competences may enjoy superior performance. In essence, the resource-based view is based on the idea that the effective and efficient application of all useful resources such as risks management competence, computerization, delinquency management and decentralized organizational structure that the insurance company can muster helps determine its performance.

2.2.2 Competitiveness Theory

Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century. Early literature on the theories of trade between nations provided the basis for competitiveness theory. It alluded to the development of sustainable competitive advantage well before its time. Competitiveness theory evolved from the traditional trade theories, fundamentally 'The effect of the Wealth of Nations' Adam Smith in 1776 (later translated in 1937), which was revolutionary. In his book Adam Smith disputed the then existing philosophy Mercantilism view on trade which suggested that trade was a zero sum game in which a trade surplus of one country is offset by a trade deficit in another country. Smith in his argument viewed trade as a positive sum

game in which all trading partners can benefit if countries specialized in the production of goods and services in which they had absolute advantage. This came to be known as the theory of absolute advantage.

Marrewijk (2007) points out that the theory of absolute advantage was extended to comparative advantage where he stated that even if a country does not have an absolute advantage in any good this country and other countries will still benefit from international trade. However, Ricardo did not satisfactorily explain why comparative advantage differed across countries. To provide an explanation, in 1919 Swedish economist Eli Hecksher developed the factor proportions (endowment) theory which was later expanded by his former student, Bertil Ohlin in 1933 and later came to be known as H-O Theory. The two proposed that comparative advantage arises from differences in factor endowments, a theory which was virtually self-evident (Marrewijk, 2007).

Competitiveness theories proposed some kind of advantage as enabling a country gain more out of international trade. The same is true for the firm. If sustainable superior performance (which equals sustainable competitive advantage) is to be achieved a firm must differentiate itself. Marrewijk (2007) hinted at a basic tenet of sustainable competitive advantage, that a fundamental aspect of competitive advantage is the specialization of suppliers to meet the variations in buyer demand. Later Barney (2010) recognized that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. He stated that differential advantage might be achieved through lowering prices, selective advertising appeals and/or product improvement and innovations (Barney, 2004). While these concepts lay the core foundation for firms in moving toward sustainable competitive advantage, the intense nature of competition today requires that firms be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products.

This theory is relevant to the study as it help understand how companies build sustainable competitive advantage. This theory therefore depict that the insurance companies should align their strategic orientation in such a way that it will give them an edge over their competitors mainly though orientation and customer focus.

2.2.3 Dynamic Capability Theory

Dynamic capabilities theory examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment (Teece, Pisano & Shuen, 2010). The theory assumes that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. The aim of the theory is to understand how firms use dynamic capabilities to create and sustain a operational performance over other firms by responding to and creating environmental changes (Teece, 2007). Capabilities are a collection of high-level, learned, patterned, repetitious behaviors that an organization can perform better relative to its competition. Organizational capabilities are called zero-level (or zero-order) capabilities, as they refer to how an organization earns a living by continuing to sell the same product, on the same scale, to the same customers (Wright, 2013).

The concept of dynamic capabilities arose from a key shortcoming of the resource-based view of the firm. The RBV has been criticized for ignoring factors surrounding resources, instead assuming that they simply exist. Considerations such as how resources are developed, how they are integrated within the firm and how they are released have been under-explored in the literature (Teece, 2007). Dynamic capabilities attempts to bridge these gaps by adopting a process approach: by acting as a buffer between firm resources and the changing business environment, dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's operational performance, which otherwise might be quickly eroded. So, while the RBV emphasizes resource choice, or the selecting of appropriate resources, dynamic capabilities emphasize resource development and renewal.

With dynamic capabilities, sustained operational performance comes from the firm's ability to leverage and reconfigure its existing competencies and assets in ways that are valuable to the customer but difficult for other competitors to imitate. Dynamic capabilities help firm's sense opportunities and then seize them by successfully reallocating resources, often by adjusting existing competencies or developing new ones (Teece, 2007).

Unlike earlier strategic frameworks that were largely static, dynamic capabilities explicitly acknowledge that as markets and technologies evolve, firms need to adjust by reallocating assets and learning new skills. It is the ability to adapt and extend existing competencies that differentiates dynamic capabilities from other strategic frameworks. This ability places a premium on senior management's ability to accomplish two critical tasks. First they must be able to accurately sense changes in their competitive environment, including potential shifts in technology, competition, customers and regulation. Second, they must be able to act on these opportunities and threats; to be able to seize them by reconfiguring both tangible and intangible assets to meet new challenges (Teece, 2007).

These two fundamental capabilities are at the core of a firm's ability to survive and grow over time and represent the essence of dynamic capabilities. Winners in the global market place have been firms that can demonstrate timely responsiveness and rapid flexible product innovation, coupled with the management capability to effectively coordinate and re-deploy internal and external competencies (Sarker, 2013). One without the other is insufficient for long term success since the market place is ever changing. If a firm has resources and competencies but lacks these dynamic capabilities, it may make a competitive return in the short run but is unlikely to sustain this in the face for change (Teece, 2007).

Each of these approaches to strategy attempts to solve the puzzle of how a firm can out-compete its rivals by either developing useful firm-specific skills or positioning itself in ways that customers value and are willing to pay for and that rivals cannot easily imitate. While earlier approaches to strategy were largely static (for example, develop a positional advantage and protect it), dynamic capabilities call attention to

the need for organizations to change overtime and compete in both emerging and mature businesses (Tushman & O'Reilly, 2011).

A key element of this dynamic capability view is the coordination and integration to innovation, the scale to which an organization's managerial and technical skills, technological architecture, social and cognitive structure, culture, and values are adapted to and supported. According to Pavlou and El Sawy (2009), dynamic capabilities 'help firms reconfigure existing functional capabilities so they can build products that better match emerging customer needs and take advantage of technological breakthroughs' .

Pavlou and El Sawy (2009) conceptualize a two-level framework based on five processes that constitute dynamic capabilities in the context coordination and integration within an organization: reconfiguring resources, sensing the environment, learning, coordinating activities and integrating interaction patterns. It is necessary to not only distinguish between dynamic capabilities, from (basic) organizational and functional capabilities, but that it is also important to open the 'black box' and disentangle the process of evolution of dynamic capabilities besides focusing on their effectiveness or impact.

Besides the stock of technological capabilities, the formation of dynamic capabilities, supported by organizational and functional capabilities, involves complex and interdependent self-sustaining mechanisms. These mechanisms are constituted by managers' decisions and actions in the context of established organizational routines, which can and are shaped by (or can also modify) social and cognitive structures, spanning different organizational levels Organizational capabilities support the basic underlying social and cognitive activity required for knowledge-based innovation (Robbins, 2005).

Coordination and integration of organizational' competences are the organizational routines and work practices that, in combination with certain socio-cognitive structural attributes (for example preferred communication and sense-making approach), provide the organizational 'glue' that supports the basic underlying activity required for dynamic capability formation and innovation (Zahra *et al.*,

2009). Examples of 'organizational' competences in the insurance industry are: shared vision, institutional facilities (infrastructure), knowledge management systems, key work processes, key staff skills, strategic intent, resources and capabilities and market positioning.

2.2.4 Theory of Strategic Balancing

Strategic balancing is founded on the premise that the strategy of an organization is partly comparable to the strategy of an individual. Certainly, the performance of organizations is influenced by the actors' behavior, such as the system of leaders' values (Collins *et al*., 2009). An organization wavers between many antagonistic poles that signify cooperation and competition. This allows for existence of various configurations of alliances that disappear only if the alliance swings in the direction of a mainstream of poles of confrontation.

Strategic balancing is comprised of three models which include: relational, symbiotic and deployment models. Competition attests to be part of the relational model and the model of deployment. It can be liable to undulation between the two aggressive strategies, one being primarily cooperative as depicted by the relational model and the other being predominantly competing as exemplified by the model of deployment. The organization can then take turns in adopting the two strategies so as to keep their relationship balanced. This argument is very close to that of Morduch (2010). According to Morduch (2010), there are three types of competitive relationships: competition-dominated, cooperation-dominated, and equal relationships. The latter is also comparable to the fluctuation between the relational model and the model of deployment as described by Barney (2004).

Competitive strategies, should concentrate on the management-needs recognition process. A number of African insurances have achieved this. Lönnqvist and Kujansivu (2012) used the key intelligence topics (KIT) process to identify and prioritize the major intelligence needs of senior management and the organization itself. This made sure that intelligence operations were successful and suitable intelligence was produced. Their approach is valuable since it allows corporate intelligence staff to recognize strategic issues and as a result senior management can

guarantee that action is taken regarding the results given. The additional advantages are that an early warning system can be created and this will allow possible threats to the organization and major players in the industry are identified and monitored.

The strategic balancing gathers three models, namely the relational, symbiotic and deployment models. Competition proves to be part of the relational model and the model of deployment. It can be subject to alternation between the two antagonistic strategies, the one being predominantly cooperative as described by the relational model and the other being predominantly competing as characterized by the model of deployment. The company can then take turns at adopting the two strategies in order to keep their alliance balanced. This idea is very close to that of Bengtsson and Kock (2009), according to whom there are three types of competitive relationships: competition-dominated, cooperation-dominated, and equal relationships. The latter is similar to the alternation between the relational model and the model of deployment described by Aliouat (2012). This theory depicts that the organizational success depends on achieving a good fit between strategy, structure and culture. Performance improvement is linked to deliberate efforts by management towards developing a suitable organizational culture which is is manifest in leadership, decision making process and in the way through which formal structure and business procedures are transposed into routine activities.

2.3 Conceptual Framework

A conceptual framework is a model that presents and explains the relationship between various variables. In a conceptual framework there are two types of variables: dependent variable and independent variable. In this study, the independent variables include strategic orientation, core competences, intellectual capital and organizational culture while the dependent variable is organizational performance.

Independent variables **Dependent variable**

Figure 2.1: Conceptual Framework

2.3.1 Strategic Orientation

The rapid development of science and technology which is now fundamentally changing people's lifestyles and social modes of production brings more complex and rapidly changing social environments and economic environments as well as

more intense competition (Conchas, 2009). According to Cranfield (2013), the proponents of the blue ocean strategy take the view that innovation should create new market space, tap into unsatisfied consumer demand, and find uncontested market space. In this way, competition can become quite irrelevant. Now blue ocean strategy has had a lot of enthusiasts and people like Starbucks and Dell have been cited as examples where company can get into territory that is uncontested and profitable. However, implementation of blue ocean strategy in many companies is hampered by many Determinants affecting the Implementation of Blue Ocean Strategy and Its effects on Organization Performance such as lack of resources, lack of employee motivation and organization political issues.

In Kenya, the growth and development of insurance industry encounters many determinants affecting the implementation of Blue Ocean Strategy and Its effects on Organization Performance that impacts negatively on the performance of many insurance companies. There is a total of 49 licensed insurance companies offering similar products in the same target market hence leading to increased level of competition. Most insurance firms rely on red ocean strategy to outperform competitors as many insurance companies have not succeeded in embracing the blue ocean strategy (Lafourcade *et al*., 2013).

a) Customer Focus

In today's competitive environment, excellent customer service is becoming the core competitive advantage in financial industry. Meanwhile, many services are delivered by people in real time. People customer contact employees and those supporting them from behind the scenes are critical to the success of any service organization (Wilson *et al.,* 2008). As within the models of HRM presented by Walton (2013), frontline employees are viewed as the organization’s most important asset, being capable of achieving and sustaining competitive advantage (Kim, 2009). As a result, the bank should recognize the importance of its employees in representing and reinforcing the brand image of the bank and delivering the service correctly from the customer point of view. This is achieved through an improved employee culture in

service delivery. A good customer service culture is paramount in the individual employee's performance.

The service employees, who represent the organization in the customers' eyes, can have an impact on image and reputation of the company. When the service employees provide the accurate service the customer's desires can be met, the company gains a positive reputation hence attaining the higher market share and the charge more than its competitors for service (Wilson *et al.,* 2008). The service employees, who are knowledgeable, understanding, and concerned about the customers' needs, also influence the five dimensions of service quality: reliability, responsiveness, empathy, assurance, and tangibles (Wilson et al., 2008). It is essential to understand and meet what the customer wants and needs with service employees' abilities to deliver (Wilson *et al.,* 2008).

Delivering quality service to customers is very critical for success and continued existence in today's competitive financial services environment (Woller, Dunford & Warner, 2013). Insurance companies should ensure provision of high quality services to increase customer retention rates, attract new customers through word of mouth advertising, boost productivity, market shares, lower the rate of staff turnover, lower operating costs, as well as improving employee morale, financial performance and profitability. Insurance companies should ensure creation of quality enhancement programs that would produce particular improvement efforts and in turn lead to positive outcomes by either reducing costs or increasing revenues. Wright (2009) notes that the manner in which service improvement efforts yield increased revenues results to a series of effects.

Sustainable insurance companies require, ensuring high customer satisfaction, customers make their choice depending on the perception quality, service and value they are receiving (Basu, Blavy & Yulek, 2012). Insurance companies need to keep tab of the contributors of customer value and satisfaction. Organizations need to understand the determinants of customer value and satisfaction. Customer-derived value is the variation between the total value customers gets versus the total cost spent; hence a customer chooses what maximizes the value derived. For success, more than a competitive

advantage in customer service is required; provision of superior customer-led services needs a great in-depth understanding of customers which has been ignored by many insurance companies and at times a perception that it has no operational relevance (Churchill & Frankiewicz, 2012).

Due to lack of homogeneity of the insurance companies customers, as the insurance industry matures there is need for the designers of financial services for poor people to direct attention to product differentiation (Wright, 2013). However, delivering more client-responsive financial services to the larger segments of the poor populations may require more than simply product differentiation but also a call for reorganization of the existing organizational models in terms of incorporated systems for listening to customers. Creative alternatives need to be explored in regard to different institutional delivery approaches which can lower operational costs and improve sustainability.

b) Competitors focus

Competition is the act of striving against another force for the purpose of achieving dominance or attaining a reward or goal, or out of a biological imperative such as survival (American Heritage Dictionary, 2012). Competition, according to the theory, causes commercial firms to develop new products, services, and technologies. This gives consumers greater selection and better products. The greater selection typically causes lower prices for the products either creating a bigger market share for the company or a smaller. Kangoro (2009) argues that in the 1990s the strategist's attention turned from diversification to optimizing the firm's competitive strategies and the optimizing the firms total business portfolio. Conchas (2009) adds that when the different markets of the firm have growth prospects and are mixed and turbulent, before further prospects can be estimated it becomes necessary to segment the firm's environment into distinctive areas of trends, threats, opportunities. Complexity, uncertainty and turbulence in the resource technology and socio, political environment make it desirable to segment these environments into strategic resource areas, thus the essence of strategy formulation in coping with competition.

Competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors (Finlay, 2012). The level of rivalry or competition in industry therefore is determined by the concentration ratio of industry. Rivalry is low if the larger proportion of market share is held by a few large firms and high when the industry is fragmented. The most businesses must respond to five basic competitive forces that drive industry competition. The five forces are; threat of new entrants; threat of substitute products; bargaining power of suppliers; bargaining power of buyers and rivalry among current competitors. Existence of these factors; high exit barriers, slow market growth, high fixed costs, low buyer switching costs and low levels of product diversification intensify rivalry in an industry and forces the rival firms to seek competitive advantage in ways that elicit counter-response from rivals, reducing profitability and industry attractiveness.

Porter's model is a powerful tool for systematically diagnosing the chief competitive pressures in a market and assessing how string and important each one is. Kitoto (2013) confers that a proper analysis of the five forces will help a firm choose one of the generic strategies that will effectively enable the firm to compete profitably in an industry. Managers therefore can only develop and choose winning strategies by first identifying the competitive pressures that exists gauging the relative strength of each and gaining a deep understanding of the industry's whole competitive structure. The Porters Five Forces Model allows for determination of the attractiveness of the industry. With the knowledge about intensity and power of competitive forces, companies can then develop options to influence them in a way that improves their own competitive position. To survive, Companies must tailor their strategies to suit the changing market place. The winning strategy chosen can change the impact of competitive forces on the organization. The objective is to reduce the power of competitive forces.

c) Innovation strategy

Wong *et al.* (2007) confirmed a positive relationship between innovation and organizational performance and therefore when an organization achieves competence in making a certain product it can add value to the product by investing in the latest

and modern technology. Innovation activities are generally categorized as either incremental or radical. The distinction between these two different types illustrates how organizations approach innovation in different ways. A cumulative series of minor changes or introducing something similar to previous organizational practices is called an incremental or routine innovation, whereas an abrupt major change or doing something markedly different from what the organization had done before is called a radical innovation (Hatch, 2013). Harrison (2012) said that timing the introduction of radical innovations to stay ahead of competition, while simultaneously utilizing incremental innovations to maximize profits is a major challenge for contemporary business managers. Hamdouch and Samuelides (2013) reported that in the service industry, the innovation process is both cyclic and cumulative, combining radical innovations and introducing incremental innovations to fill the gap between two radical innovations.

In addition to the dichotomous categorization of innovations, Halim (2010) suggested the inclusion of various types of innovation such as technological, administrative, and ancillary innovations. Although technological innovation drives most organizations, the proof of technological innovation resides in the marketplace, which requires facilitating marketing and administration measures. Technological innovation without comparable levels of innovation from all sectors of an organization significantly reduces the benefits of investing in innovation (Gaynor, 2010). Although not all firms should be innovative in the same manner, several scholars have suggested that innovation needs to be directed at new products or services, new organizational structures or administrative systems, new process technologies or new programs pertaining to organizational members for these typically occur simultaneously. In addition to the above-mentioned factors, some scholars placed special emphasis on the importance of strategic innovation, because it may change the direction of the company and even the rules of the game in an industry (Turock, 2013).

Furthermore, investigation of the relationship between innovation and organizational performance is paramount. Previous studies of this link indicated mixed results, some positive, some negative, and some showed no relationship at all (Turock, 2013). Goh

(2013) argued that the association between innovation and firm performance depends on the performance measurement and the characteristics of a given organization. That is, the utilization of objective or subjective performance indicators such as sales or self-reported performance may lead to different research results. In addition, different types or different combinations of innovation, such as technological innovation alone or the combination of technological and marketing innovations may also result in divergent organizational performances.

Incremental technological innovations help improve company competitiveness with the ultimate aim of increasing company value (Luo, 2012). Incremental market innovation is about new ways of reading and serving current markets, which ensures firms to provide appropriate offers and yields greater avenues (Johne & Davies, 2009). In addition, the writers reported that innovative marketing aims at increasing product consumption and has a positive influence on firm sales. Furthermore, continuous work process innovation was regarded as the most important action for improving the short-term profitability (Soderquist, 2012). Terziovski (2009) also reported that an incremental strategy is the major driving force behind any improvement effort. Apparently, incremental innovation leads to the accumulation of day-by-day improvements and is the backbone of organizational performance.

Adopting radical innovation has mixed results. Various scholars commented that radical or breakthrough innovations provide the engine for long-term growth (Leifer *et al.*, 2013). Many small companies also succeeded in introducing more radical innovations because of their genetic makeup (Stringer, 2009). However, some argue that the linkage of radical innovation and performance is an S-curve shape because of diminishing research effort and resource inefficiencies. In many cases, the creative destruction effect of radical innovation may not be shown in a short term horizon and even release a negative impact on firm performance (Freel & Robson, 2012).

2.3.2 Core Competences

Agha and Alrubaiee (2012) argue that in a highly competitiveness market, core competence has emerged as a central concept for competitive strategy. They define core competence as the knowledge set that distinguishes a firm and provides a

competitive advantage over others (Agha, Alrubaiee & Jamhour, 2012). Since core competencies may not be easily replicated by competitors, they are better suited in building sustainable competitive advantage in organizations. According to Johnson and Scholes (2013), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains. Firms respond to competition in different ways. Some may opt to product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors. Johnson and Scholes (2013) postulate that the essence of strategy formulation is coping with competition.

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Rao (2013) argue that competitive advantage enjoyed by a firm has a three stage life cycle consisting of: build up period where strategic moves are successful in producing competitive advantage; benefit period where fruits of competitive advantage are enjoyed. A long benefit period gives the firm sufficient time to earn above average profits and recoup on investments made to create the advantages and erosion period where the competitive advantage held by the firm is eroded due to imitation, duplication, new technology and attacks by rivals (Rao, 2013).

To develop Core Competencies a company must take actions as follows: isolate its key abilities and hone them into organization wide strengths, compare itself with other companies with the same skills to ensure that it is developing unique capabilities, develop an understanding of what capabilities its customers truly value, and invest accordingly to develop and sustain valued strengths, create an organizational road map that sets goals for competence building, pursue alliances, acquisitions and licensing arrangements that will further build the organization’s strengths in core areas, encourage communication and involvement in core capability development across the organization, preserve core strengths even as management expands and redefines the business, outsource or divest non-core capabilities to free up resources that can be used to deepen core capabilities (Conchas, 2009).

Core competencies are used by companies to design competitive positions and strategies that capitalize on corporate strengths, unify the company across business units and functional units, and improve the transfer of knowledge and skills among them, help employees understand management's priorities, integrate the use of technology in carrying out business processes, decide where to allocate resources, make outsourcing, divestment and partnering decisions, widen the domain in which the company innovates, and spawn new products and services, invent new markets and quickly enter emerging markets, enhance image and build customer loyalty (Alai, Kramer & Montier, 2012).

Core competencies help an organization to distinguish its products from its rivals as well as to reduce its costs than its competitors and thereby attain a competitive advantage. It helps in creating customer value. Also, core competencies help in creating and developing new goods and services. Core competencies decide the future of the organization. These decide the features and structure of global competitive organization. Core competencies give way to innovations. Using core competencies, new technologies can be developed. They ensure delivery of quality products and services to the clients (Management Study Guide, 2014).

a) Internal Capabilities

A firm's internal capabilities are a complex mix of knowledge and skills that, exercised through the coordinated deployment of assets to organizational process, determine the activities the firm is capable of efficiently carrying out (Foss, 2007). They neither deteriorate nor become exhausted with use, but instead are honed to perfection and adopt unrivaled status (Luo, 2012). The creation of internal capabilities requires the perfection of complex coordination patterns together with resource development to carry out activities efficiently. This definition emphasizes the two conditions of organization (implicit in coordinating asset deployment), intention and goal attainment. Internal capabilities do not depend only on firm resources they are more than resource sets, more than a function of prior resource deployment. Internal capabilities govern how resources are transformed into products or services. According to Amit and Schoemaker (2012), firms can transform their

resources through creation of firm-specific organizational norms and routines or development, management and interchange of information and knowledge via human capital. Leonard-Barton (2009) also contends that a firm’s resources can be transformed through the creation of an organizational culture that supports the firm's activities and derived from a collective learning process. Therefore, improved internal capabilities stem from the integration of individual and/or functional capabilities with inter-functional skills and organizational values.

Internal capabilities are intangible factors as are intangible resources but they differ on some characteristics. Intangible assets comprise explicit knowledge, while internal capabilities comprise distinctive, tacit knowledge. Internal capabilities are associated with the individuals or firms who possess them, whereas resources are independent from individuals and the firm. At the same time, intangible assets are legally protected assets but it is difficult or impossible to legally protect internal capabilities, as they are based on the premise of developing and interchanging information and knowledge by way of human capital to adequately develop resources (Amit & Schoemaker, 2012). Lastly, internal capabilities differ from intangible assets in that they cannot be assigned a monetary value, cannot be traded, and are difficult to imitate because they are embedded in organizational routines, practices, and culture.

Only those firms possessing resources and capabilities with special characteristics (distinctive factors) will gain competitive advantages and therefore achieve superior performance. First, the distinctive character of a factor depends on its rarity, value, durability, no-substitutability, inimitability, and appropriatability of generated rents (Amit & Schoemaker, 2012). Second, sustainable competitive advantage rests on a firm's dynamic capabilities, understood as the firm's ability to adapt and reconfigure its resources and capabilities, to explore opportunities and new asset sets, and to respond swiftly to environmental changes and eroded value that arises from competitor activities (Eisenhardt & Martin, 2010).

b) Strategic Intent

Strategic Intent is described as a way of creating an obsession with winning at all levels and across all functions of the organization. It is a shared competitive agenda for global leadership. Strategic Intent uses stretch targets to create competitive advantage. A strategic architecture is a framework or map for leveraging corporate resources towards the strategic intent (Alai, Kramer & Montier, 2012). It draws upon a wide variety of information to present a view of the evolution of an industry.

A strategic architecture identifies the core competencies to build and their constituent technologies. It provides a framework within which innovation can be planned and managed. It is the role of senior management to develop the organization in a way which closes the gap between ambition and ability. Market orientation is an intangible resource which involves a dual focus on both customers and competitors and can contribute to sustainable competitive advantage. The provision of customer value is a source of sustainable competitive advantage; customers desired value changes, firms should monitor these changes via continuous learning about customers (Zina & OLeary, 2010).

c) Empowerment/Staff Skills

Key staff possessing superior skills is a prerequisite to building a sustainable competitive advantage. Zina and OLeary (2010) define core competence as a bundle of skills and technologies. A skill is defined as the learned capacity to carry out pre-determined results often with the minimum outlay of time, energy, or both. Skills can often be divided into technical skills, functional skills, self-management skills in addition to important personal attributes (hard-working, trustworthy, results-oriented, and decisive). Employees with good problem solving skills that enables them to identify, remedy and resolve business problems (Wong & Aspinwall, 2013). It would be an added value to the company having employees with entrepreneurship skills such as ability to think critically, analyze situations and be able to identify business opportunity. Competence at the level of people is an underlying characteristic which enables them to deliver superior performance in the given job, role or situation.

Organizations can improve their overall productivity by shifting people from average to superior performance through development and by promoting right people. A company that wants to increase its market share by getting more from its current employees and hiring the best from outside market will gain a great deal of superior performance. The right people are the most important assets and are the source of competitive advantage. The successful organizations of the future will be those, which understand the link between their business results and people (Wong & Aspinwall, 2013).

d) Key Work Processes

Key Work Processes are important in building a sustainable competitive advantage (Holsapple & Joshi, 2009). A process is any operation through which a set of inputs go through one or more steps resulting in a more valuable set of outputs. A process can be viewed as a series of interrelated operations, which add value to its inputs resulting in outputs that are more valuable (Akhavan & Jafari, 2012). A process comprises of a set of partially ordered steps intended to achieve the desired output. These steps may be called operations (Wong & Aspinwall, 2013). Sometimes these steps are also referred to as processes themselves, and a process is viewed as a set of partially ordered processes. It is important to note that alternative processes can substitute processes. Competitive success depends on transforming a company‘s key processes into strategic capabilities that consistently provide superior value to the customer (Wong & Aspinwall, 2013).

e) Shared Mission, Vision and Values

Critical success factors for insurance companies were also highlighted, albeit in a slightly different manner, by Sarker (2010). In his journal article, Sarker (2010) highlighted the secrets of success of the Grameen Bank. Based on his personal experience, as well as secondary data, he identified several critical success factors by studying the reasons for success of the Grameen Bank. He acknowledged the role that a clear vision and mission played in the operations of the Grameen Bank. The management, operating staff and members (clients) of the Bank shared the same vision of a poverty free society. This vision, he noted, was the driving force behind

the Grameen family and its stakeholders, which caused the teams to work with dedication, mutual trust, a sense of accountability and creativity.

Related to vision, management culture was another success factor that Sarker (2010) found played a major role in the Bank's success. The Bank's culture of trust and institutional fusion as allowed management to devolve basic decision making authority to operational levels, of which both staff and clients are the essential parts. Organizational boundaries were permeable; clients were effectively brought into the organization to monitor and be held accountable for loans and other functions.

Related to Sarker's (2010) and Ledgerwood's (2009) findings, Midgal, Wilkins and Davis (2012) put together a paper that detailed their findings that resulted in the conclusion that visionary leadership was one of the most important drivers of growth in insurance companies. A skilled management, committed and capable of overseeing the growth of the insurance companies were identified as very key in ensuring continued growth. In their view, once strong leadership is in place, all other requirements for growth can be built or created.

Midgal *et al.* (2012) specifically identified the importance of a strong Board of Directors, Chief Executive Officer (CEO) and Senior management. With regards to the CEO and the senior management team in particular, they identified leadership, management, and development as the key drivers that determine whether a CEO is strong, problematic, or somewhere in between.

Through a case study carried out on one of Unitus Inc.'s partners, Bandhan insurance company in Kolkata, India, Midgal *et al.* (2012) concluded that leadership was more of a psychological exercise centred on defining vision, articulating the strategy for attaining that vision and motivating staff and members. Management on the other hand dealt more with operational issues such as establishing plans, processes and monitoring progress against the plans to attain the vision of the organization.

f) Knowledge Management System

Njuguna (2009) stated that organizational learning is a fundamental source of competitive advantage in an organization. He further stated that it helps firms to obtain sustainable competitive advantage through the development of its unique learning knowledge resources and capabilities. Knowledge Management System refers to generally information technology based system for managing knowledge in organizations for supporting creation, capture, storage and dissemination of information (Walton, 2013). The idea of a KM system is to enable employees to have ready access to the organization's documented base of facts, sources of information, and solutions (Bozbura, 2013). Sharing this information organization wide can lead to effectiveness and could also lead to ideas for new or improved equipment. It comprises a range of strategies and practices used in an organization to identify, create, represent, distribute, and enable adoption of insights and experiences (Wong & Aspinwall, 2013).

Knowledge management and its role to coordinate capabilities to create a stable competitive advantage state that role of knowledge management in organization is to create knowledge network to put together knowledge and skill of personnel and capabilities synergy that can provide stability and progress for an organization in competitive environment (Esfahani, Soltani & Jafarpisheh, 2013).

Knowledge Management System as a source of core competence can be expressed as the capability to absorb new technology and in-house technology development (Akhavan & Jafari, 2012). The capability to absorb new technology can includes of employee training, forecasting, innovation and technological needs satisfaction Davenport *et al.,* (2009) And in-house technology development can includes development of people abilities, product development, futuristic technological methods, and customer focus satisfaction. In addition to how to integrate the multiple streams of technologies together in the production process (Esfahani, Soltani & Jafarpisheh, 2013).

The creation of knowledge is a dynamic and continuous process involving interactions at various organizational levels. Organizations must learn from their

environment how to survive and produce competitive condition that shapes the character of success (Chong, 2012). Every organization is a victim of its own success (Akhavan & Jafari, 2012).

The knowledge-based theory proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. This knowledge is embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees (Conner, 2011). Originating from the strategic management literature, this perspective builds upon and extends the resource-based view of the firm (RBV) initially promoted by Penrose (1994).

2.3.3 Intellectual Capital

Intellectual capital is the sum of everything everybody in the company knows that gives a competitive edge in the market place. Huang and Hsueh (2010) study on intellectual capital in consulting firms also signify intellectual capital to the summation of all knowledge and capabilities of every employee that brings about performance and creates wealth for the enterprises. Lonnqvist *et al.* (2009) also examined that the role of intellectual capital management in ensuring the alignment of the change content with the strategic goals of the organization. Furthermore, intellectual capital consists of the non-physical sources of value related to employees ‘capabilities, organizations ‘resources and way of operating and the relationships with their stakeholders (Lönnqvist & Kujansivu, 2012). Previous study on intellectual capital by Cabrita and Vaz (2012) indicates that intellectual capital as intangible assets that may be used as a source of sustainable competitive advantage.

Though earlier scholars may not agree on the precise explanation and shape of intellectual capital, there is broad consensus that it contains human capital (HC), relational capital (RC) and structural capital (SC) (Tovstiga & Tulugurova, 2009). Pulic (2009) depicted that firms market value is created by capital employed and intellectual capital which consists of human capital and structural capital. Pulic

proposed the Value Added Intellectual Coefficient (VAIC) method to provide information about the value creation efficiency of tangible and intangible assets within a company. Instead of valuing the intellectual capital of a firm, the VAIC method mainly measures the efficiency of firm's three types of inputs: physical and financial capital, human capital and structural capital, namely the capital employed efficiency (CEE), the Human Capital Efficiency (HCE), and the Structural Capital Efficiency (SCE) are respectively taken into consideration. The summation of the three measures gives the VAIC. A high VAIC suggests better management utilization of company's value creation potential.

An early research of Ante Pulic (2012) on Australian's banks reveals the importance of IC. The research results highlighted the fact that there is strong interaction between IC and organizational corporate success. He shows in his study that the banks with the higher expenditures on IC components are more profitable and have better financial performance. Another study conducted by Cabrita and Vaz (2012) to examine interrelationship among IC components and banks performance on 53 Portuguese banks. After analyzing the data they concluded that structural and relational capital positively moderates the relationship between HC and organizational performance. Goh (2013) also measured the IC performance of commercial banks in Malaysia for the period 2013-2003. She used value added intellectual coefficient (VAIC) methodology to measure IC performance of banks. Her empirical study shows that all Malaysian banks have higher HC efficiency than structural and physical capital efficiencies. Domestic banks were generally less efficient compared to foreign banks. The Yalama and Coskun's (2014) research on Turkish banking industry for the period 2012-2013 is based on the impact of VAIC on banks' profitability. The results show that annual IC efficiency is not stable. It also found that some Turkish banks are stable to transfer IC value to banks' profitability but some are not. In this context, this study intends to explore the relationship between intellectual capital (Value Added Intellectual Coefficient (VAIC)) and operational performance of commercial banks in Kenya.

Chao -Hsu Yang (2012) did research on 211 listed enterprises, and found that intellectual capital had a significant contribution to the creation of organizational values and organizational competitive advantages. Its capacity can be brought into play more effectively going through the interaction among human, structure and customer capital. Rudez and Mihalic (2007) also pointed out in their research; the hotel industry must promote the development of its intellectual capital so it can maintain its competitiveness. If they can go through the interaction of human capital and information technology, then the financial performance of the organization can be boosted. No matter it's information technology, biotechnology, high technology, or emerging industries, intellectual capital affected their organizational performance deeply (Chang, Chen & Lai, 2008), especially in the international tourist hotels and other service industries, what they provided were tangible products and intangible services, such as employees' knowledge and an organizational management procedures, these are all the intellectual capital of an organization.

Shi-Hsiao (2010) indicated that intellectual capital includes human capital, structural capital, and social capital. Therefore, an organization should develop the human capital that cannot be imitated by the competitors easily, converting the wisdom and capabilities it has accumulated into its core competencies: operating the functions of structural capital to create distinct characters of an organization. It establishes an irreplaceable external relationship to enhance an organization's social capital, and the synergy created from the interaction among human capital, structural capital and social capital is a key for an organization to build competitiveness. Mei-Chun (2013) believed an organization's intellectual capital had a significant positive effect on organizational performance.

a) Human Capital

This is the value that the employees of a business provide through the application of skills, know-how and expertise. Human capital is an organization’s combined human capability for solving business problems and exploiting its Intellectual Property. Human capital is inherent in people and cannot be owned by an organization (Choo & Bontis, 2010). According to Halim (2010), human capital is what a single

employee brings into the value-adding processes, consisting of four indicators, that is, professional competence, social competence, employee motivation, and leadership ability. Therefore, human capital can leave a company in this case when people leave, and if the company management has failed to provide a setting where others can pick up their know-how.

b) Structural Capital

Namasivayam and Basak (2012) observed that structural capital is what happens among the people, how the people are connected within the company, and what stays when the employee leaves the company. This refers to the supportive non-physical infrastructure, processes and databases of the organization that enable human capital to function. Structural capital includes processes, patents, and trademarks, as well as the organization's image, organization information system, and proprietary software and databases. Because of its diverse components, structural capital can be classified further into organization process and innovation capital. Company capital includes its philosophy and systems for leveraging the company capability. Process capital includes the techniques, procedures, and programs that implement and enhance the delivery of goods and services. Innovation capital includes intellectual property such as patents, trademarks and copyrights, and intangible assets. Intellectual properties are protected commercial rights such as patents, trade secrets, copyrights and trademarks. Intangible assets are all of the other talents and theory by which a company is run.

Halim (2010) further argued that structural capital is a stock of knowledge that is owned by the firm which encompasses corporate culture, information technology and explicit knowledge, product innovation, process optimization, and innovation among others. Thus, companies that possess strong structural capital will have a supportive culture that permits their employees to try new things, to learn and to practice them. In turn this gives a company a competitive advantage over its competitors (Bontis *et al.,* 2009).

c) Relational Capital

Barry (2013) indicates that relational capital is the value of an organization's external relationships with other organizations and people with whom it does business. Relational capital is the knowledge embedded in the relationships with any stakeholder that influences the organization's life. The literature defends that relationships with stakeholders are the necessary condition for building, maintaining and renewing resources, structures and processes over time, because through external relationships firms can access critical and complementary resources. Recently, some authors (Prahalad & Ramaswamy, 2009) suggest that customers become a new source of competence for the organization because they renew the overall competence of the organization and rejuvenate the knowledge base preventing it from the obsolescence in a turbulent environment (Gibbert *et al.,* 2013).

This consist of customer relationships, supplier relationships, trademarks and trade names (which have value only by virtue of customer relationships) licenses, and franchises. The notion that customer capital is separate from human and structural capital indicates its central importance to an organization's worth. The value of the relationships a business maintains with its customers and suppliers is also referred as goodwill, but often poorly booked in corporate accounts, because of accounting rules. Relational capital can be measured as a function of longevity (Bontis, 2010), while marketing relationship literature argues that long lasting relationships are a source of competitive advantage (Håkansson & Snehota, 2012). There is evidence of how employees' satisfaction, motivation and commitment have positive influence in customer satisfaction, loyalty and retention, leading to higher productivity of the company (Bontis *et al.,* 2009).

2.3.4 Organizational Culture

Organizational culture is an internal binding factor that influences how the firm interacts with employees and external stakeholders. Organizational culture has been defined in different perspectives that view it as a metaphor, external or internal organizational variable. The contingency management definitional perspective has been adopted in this study. Within the contingency perspective, organizational

culture is recognized as the persistent underlying structure of meaning that constrains perception and behavior of organizational members (Jelinek, Smircich & Hirsch, 2008). A more comprehensive definition is offered by Tustall (2008) who views organizational culture as a general constellation of beliefs, mores, customs, value systems, behavioral norms and ways of doing business that are unique to each corporation.

The culture of an organization is manifest in leadership, decision making process and in the way through which formal structure and business procedures are transposed into routine activities (Onserio, 2013). Even though culture cannot be imposed on organizational members, leadership plays an important role in influencing adoption by employees. Emphasis on certain values and reward management by leaders provide learning opportunity for organizational members, thereby enabling entrenchment and diffusion of cultural values throughout the organization. According to Meldrum (2012), cultural features affect the degree of market orientation. Ndulu (2009) contends that a market oriented culture is characterized by low levels of conflict and politics, highly developed information generation, and human resource management systems geared towards the market. In addition, a high level of marketing input into strategic management and advanced response to marketing intelligence as well as implementation of customer value enhancing strategies depict a market oriented culture.

The culture of an organization is reflected through dominant leadership styles, language, symbols, organizational procedures and routines as well as unique definition of success in the views of particular organizations. Values and beliefs determine structures and systems that are created within an organization and how people behave towards each other. On the other hand, structures and systems affect attitude of organizational members. According to Meldrum (2012), culture exists simultaneously in three layers which consist of artifacts, values and basic assumptions in that order. Assumptions are expectations about behaviour or results that are at least partially shared by organizational members.

Values are social principles, philosophies, goals and standards considered to have intrinsic worth. Sathe (2008) views values as attitudes of organizational members concerning how the world ought to be. Artifacts are the visible, tangible, and audible results of activity and they include stories, arrangements, rituals and language that are created by an organization and they have strong symbolic meaning. Harris (2012) asserts that artifacts are reflected through verbal pronouncements, behavioral expressions by organizational members or physical factors within the organization.

An equally significant component of organizational culture is addressed by Hatch (2003) who proposes symbols as the fourth element of culture. Certainly, there is no shortage of disagreement within organizational culture literature. In his submission, Hatch (2013) explains that Schein's view focuses on what artifacts and values reveal about basic assumptions. He further clarifies that the cultural dynamics perspective does not undermine Schein's interests; it reaches beyond them toward a more complex, process based understanding of organizational culture. Under cultural dynamics perspective, elements of culture are constituted through the processes of manifestation, realization, symbolization and interpretation. While Foss (2013) identifies assumptions as the essence of culture, Hatch (2013) argues that Schein (2013) fails to address the active role of assumptions in constitution and reconstitution of culture. Consequently, Hatch (2013) explains that manifestation contributes to the constitution of organizational culture by translating intangible assumptions into recognizable values.

Organizational culture plays an important role in shaping behavior and performance of organizational members. According to Deal and Kenedy (2010), performance improvement is linked to deliberate efforts by management towards developing organizational culture. In connection to this point, Bennett *et al.* (2011) argue that organizational success depends on achieving a good fit between strategy, structure and culture. Further evidence in support of organizational culture and performance relationship is found in Cooper, Cartwright and Earley (2013) who argue that culture acts as a stabilizer of individual behavior. In addition, Giberson *et al.* (2009) emphasize that culture is an integrating mechanism that guides organizational behavior. Once established, culture tends to become self-reinforcing.

From a functional perspective, culture is viewed as a means of social control by which behavior and beliefs are shaped and determined (O'Reilly & Chatman, 2012). Despite the important role played by organizational culture in driving the behavior of employees, several studies have reported inconsistent findings on the relationship between organizational culture and performance. A positive association between organizational culture and firm performance has been reported by Deal and Kennedy (2010), Peters and Waterman (2010), and Denison and Mishra (2012). Scholars in support of a positive relationship between the two variables argue that strong cultures are necessary for superior performance because they enhance consistency in organizational performance efforts.

Ott (2009) on the other hand argues that culture is not universally relevant to all organizations. He argues that not all organizations possess a culture developed to a point that it could have significant influence on performance. In support of this view, Byles and Keating (2009) observe that underdeveloped organizational culture may have little or no effect on performance. According to Byles, Aupperle and Arogyaswamy (2011), strong culture may not necessarily translate to improved performance especially where culture is inconsistent with critical success factors. Culture is considered strong where majority of organizational members share common values and believes promoted by leaders of the organization (Deal & Kennedy, 2010). On the other hand, a weak culture occurs where majority of organizational members fail to adopt values and behaviors transmitted by top management. All things considered, critics of positive relationship between organizational culture and performance lack compelling empirical evidence to support their argument.

2.3.5 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended output. Insurance company’s profitability is measured by measuring premium and investment income, underwriting results and overall operating performance (Kearney, 2010). The business model for insurance companies can be reduced to a simple equation. Profit is equal to earned premium

plus investment income, plus commission receivable minus incurred loss, minus underwriting expenses. Insurers make money in two ways; first, through underwriting the process through which insurers select the risks to insure and decide how much in premiums to charge for accepting those risks and secondly, by investing the premiums they collect from insured parties (Kearney, 2010). The most complicated aspect of the insurance business is the underwriting of policies. Using a wide assortment of data, insurers predict the likelihood that a claim will be made against their policies and price products accordingly. To this end, insurers use actuarial science to quantify the risk they are willing to assume and the premium they will charge to undertake the risk. However AKI sets the minimum rate below which insurers are not allowed to charge as premium (Kipkurui, 2011).

Firm performance has been central in strategy research for decades and the central tenet has been why firms differ in performance (Foss, 2013). Wong *et al.* (2007) contends that performance is a contextual concept associated with the phenomenon being studied. Over the years, performance has evolved to encompass wider definitions and philosophies such as Profit Impact of Marketing Strategy (PIMS). This is grounded on the premise that firms are responsible for more than just creating economic value. In 1997, the Triple Bottom Line (TBL) was developed as a tool for measuring organizational performance. The TBL considers excellence along all the three lines of sustainable reporting (economic, social and environmental) (Hubbard, 2009). The TBL adds social and environmental measures of performance to the economic measures used in organizations.

Historically, financial measures have been used to measure firm performance. These include profit, return on investment, return on assets, and earnings per share, market share, revenue growth and current ratio. World Bank (2009) propose that regardless of the framework chosen to conceptualize Organizational Performance (OP), they argue that OP is a complex and multidimensional phenomenon difficult to measure. The constituency approach views the organization as existing to benefit numerous constituents both internal and external to the organization. Its focus is to fulfill constituents needs (Akhavan & Jafari, 2012).

Critics have expressed dissatisfaction with exclusive use of financial data to measure performance. They argue that use of financial data encourages short term and local optimization thus overlooking the long term improvement strategy and ignoring competitor information (Sathe, 2008). Due to the inefficiencies of financial measures of performance, the Balanced Scorecard (BSC) which has a more stakeholder-based view was developed. The BSC evaluates corporate performance from four perspectives namely financial, internal business processes, customers and learning and growth. The firm is seen as having responsibilities to a wider set of groups than simply shareholders (Pulic, 2012).

Another determinant of insurance performance is premium growth and market share. However premium growth is not always a positive indicator of the insurer's success. Premium growth should be achieved by underwriting new policies rather than depending on insurance rate increases (Kearney, 2010). Market share is measured as a percentage of the individual company's contribution towards Gross Written Premium (GWP) for a particular market. In year 2011, 30% of LIB companies (7 out of 23) controlled more than 80% of Life business while 30% of GIB underwriters (11 out of 37) controlled more than 65% of GIB (AKI, 2012).

Customer satisfaction is another measure of insurance performance. Insurance companies should undertake periodic surveys to determine the satisfaction levels of their customers. Satisfied customers usually return to renew their policies, share their experience with other people and are willing to pay a premium for the privilege of insuring with a particular insurer (Hague & Hague, 2009). They further suggested that the cost of keeping a customer is only one tenth of winning a new one. Therefore, when a customer is won companies should hang on them. Customer needs are evolving and dynamic. This calls for continuous improvement of the current products and coming up with other innovative products to remain competitive and satisfy their customers.

The most basic measures of performance are economic viability and sustainability. This is the stage at which insurance companies if they attain are able to have long run profitability, expansion and growth, increased market share and finally

diversification. It is to be noted that each state requires strategy (Muogbo, 2013). Financial performance in insurance companies is expressed in the net premium earned, profitability from underwriting work, annual turnover and return on both equity and investment thus the general classification of profit performance measures and investment performance measures. Profit performance is performance in form of monetary terms. The difference brought about between revenues and expenses while investment performance is in two forms with the first being the assets employed in the organization apart from cash and secondly the return on investment operations of the surplus of cash at various levels earned on operations (Ledgerwood, 2009).

Non-financial performance can also be measured among insurance companies and they include both internal and external indicators. Internal indicators include: speed in processing policies, dealing with dropouts, market research, employee morale and also employee and agent training. External non-performance indicators include: growth in the number of policies, market share, and customer satisfaction and also growth in the number of branches (Schimmer, 2012). The dependent variable for this study is firm performance and this study will use both financial and non-financial indicators to examine firm performance. Non-financial performance indicators were based on the BSC approach that captures both qualitative and quantitative performance indicators. The study also included social and environmental aspects in line with Hubbards' (2009) proposition of the Sustainability Balanced Scorecard (SBSC). Financial performance measures for this study were three-year data from the AKI's industry report (AKI, 2012) and included profit before tax and premium. On-financial performance indicators consisted of 21 statements on customer perspective, learning and growth, internal business processes, CSR and environmental aspect.

2.5 Empirical Review

Strategic management is an important aspect of management that elicits research interest among scholars and practitioners. This can be attributed to the universal application of this aspect of management discipline. One of the recent conceptual studies (Atiku & Akinlabi, 2012) advocated for the adoption of strategic management approach in ensuring capital market efficiency following the perceived

pivotal role the capital market in economic development. The strategic measure they reviewed ranged from effective regulation to achieving favorable macroeconomic environment. They suggested that these strategies will not only promote the efficiency of the capital market, but will leverage the role of the capital market in promoting economic growth.

Askarany and Yazdifar (2012) investigating the diffusion of six proposed strategic management tools of the past few decades through the lens of organizational change theory, examined the relationship between the adoption of these techniques and organizational performance in both manufacturing and non-manufacturing organizations in New Zealand. The findings suggest a significant association between the diffusion of these relatively new strategic management tools and organizational performance.

Sababu (2007) outlines the following benefits, of strategic management; enhancing organizations ability to prevent problems and to adopt to environmental change, provision of integrated and coordinated guidance; it makes managers to more alert to the winds of change and reduce gaps and overlaps of individual activities; the involvement of most managers in strategy formulation improves their understanding of the productivity reward relationship in every strategic plan and thus heightens their motivation and that of the junior staff; provide managers with a rationale to evaluate competing budget request with a rationale to evaluate competing budget requests for investment capital and new staff, creating of more proactive management, which is conscious of environmental changes and brings the future to the present; reduces resistance to change as employees were involved in strategy formulation and implantation. It facilitates identification, prioritization and exploitation of opportunities and harmonizes the numerous decisions of individuals and groups; its improves co-ordination and control of activities and minimizes the effect of adverse conditions and changes; it integrate the behavior of individuals forward thinking; it encourages a favorable attitude towards change and creates a framework for internal communication among personnel; it gives a degree of discipline and formulating to the management of an organization. All these contribute to better performance.

Dauda, Akingbade and Akinlabi (2010) examined the influence of strategic management on corporate performance in selected small scale enterprises in Lagos Metropolis, Nigeria. Their findings revealed that strategic management practices enhance both organizational profitability and company market share and it was .concluded that strategic management practices enhance both organizational profitability and company market share and therefore suggest that strategic management concepts should be adopted by business organizations.

Askarany and Yazdifar (2012) in their studies investigated the diffusion of six proposed strategic management tools of the past few decades through the lens of organizational change theory, examined the relationship between the adoption of these techniques and organizational performance in both manufacturing and non-manufacturing organizations in New Zealand. The results and findings showed a significant association between the diffusion of these relatively new strategic management tools and organizational performance.

Owolabi and Makinde (2012) studied the effects of strategic management on corporate performance using Babcock University, Nigeria as the case study. The results of the hypotheses revealed that there was a significant positive correlation between strategic management and corporate performance.

Muogbo (2013) explored the impact of strategic management on organizational growth and development of selected manufacturing firms in Anambra State in Nigerian. Results from the analysis indicated that the adoption of strategic management has significant effect on competitiveness and significant effect on employee’s performance and has significantly increased organizational productivity.

Gichunge (2007) examined the effect of formal strategic management on organizational performance of medium sized manufacturing enterprises in Nairobi, Kenya. One of his key findings is that competition influences adoption of formal strategic management, this is even as it was discovered that organizations with formal strategic management performed better than those without formal strategic management.

Several studies have been conducted on the Kenyan insurance industry. Mwangi (2013) sought to establish the factors; and the extent to which they influence financial performance of insurance companies. He used profitability as a financial performance indicator. He noted that interest rate fluctuations, liquidity, and competition are the key factors that influence financial performance of Kenyan insurance companies, but he did not state their relationship. Wabita (2013) sought to establish the determinants of financial performance of insurance companies in Kenya. He established that; growth of the insurance industry positively affects financial performance, leverage of the insurance industry negatively affects financial performance, and the amount of tangible assets held by the industry positively affects financial performance. Mutugi (2012) sought to establish factors that influence financial performance of life assurance companies in Kenya. His findings were that capital structure, innovation and ownership structure are determinants of financial performance.

Mwangi and Murigu (2015) did a research on the determinants of financial performance in general insurance companies in Kenya. The contribution of the general insurance industry in Kenya to the gross domestic product is at 2.08%. This is low and hence the need to establish factors that can influence improved performance of some of the key players – the general insurance companies. The study was therefore to establish the factors that affect the profitability of general insurers in Kenya. The study employed multiple linear regression, with return on assets as the dependent variable, and considered all the general insurance companies in Kenya for the period 2009-2012. Profitability was positively related to leverage, equity capital, management competence index and negatively related to size and ownership structure. The study did not find a relationship between performance and retention ratio, liquidity, underwriting risk and age. The study recommends that for general insurers in Kenya to perform better they should increase leverage, equity capital and quality of staff.

Ombaka (2015) also did a survey on Organizational Resources, Innovation and Performance of Insurance Companies in Kenya. The study advances the proposition that resources influence performance through the intervening effect of innovation.

The proposition is empirically tested using both primary and secondary data from 46 Insurance Companies in Kenya. The results reveal that both tangible and intangible resources have a statistically significant direct influence on non-financial performance despite mixed findings as regards to the independent effects of resources on various firm performance indicators. Innovation was found to have a statistically significant intervening influence on the relationship between resources and non-financial performance. The findings offer some support for the anchoring theories as well as partial support to previous similar studies. In spite of the inherent limitations, the study advances the frontiers of knowledge in confirming the anchoring theories while providing ground for policy direction and managerial practice.

Wanjiru (2014) conducted a survey to determine strategic planning and performance rating among insurance companies in Kenya. The study applied cross-sectional survey research design while also on the other hand the study population consisted of registered insurance companies in Kenya which are 49 in total. Data collection was done through the use of a questionnaire while analysis was conducted through the use of SPSS version 20 and data was collated and presented inform of tables and graphs. The study found out that strategic planning is key and fundamental for any insurance company that wants to be successful taking into consideration all the aspects of strategic planning and also the significance of performance rating in the evaluation process of a strategic plan.

Kiarie (2013) did a research on the effect of strategic planning process among insurance companies in Kenya. The study relied on the resource based view of strategy implementation and relevant literature was reviewed. This literature provided critical analysis of the study and helped to improve the methodology. Census survey was adopted as the research design for this study. The population of the study was forty four finance managers in insurance companies. Data was collected using semi-structured questionnaires and was analyzed using descriptive statistics. The data was coded and entered into a spreadsheet and analyzed using excel packages. From the findings, the study found that all insurance companies have embraced strategic planning process but the degree of strategy implementation

differs across companies. The study further found that a relationship exists between strategy implementation and performance of insurance companies in Kenya. Most insurance companies place more emphasis on financial measures of performance and believe strategy implementation has greater impact on these financial measures. This study established that insurance companies' primary focus is to grow their premium hence market share. The study recommends that there is need to shift and focus more on implementing strategies geared towards product development and customer satisfaction. The study also found that allocation of resources is a major ingredient for successful strategy implementation hence insurance companies need to identify their capabilities and allocate resources adequately towards strategy implementation.

Otwori (2008) researched on Management of strategic change at the cooperative insurance company of Kenya Limited. The study sought to achieve two objectives. The first objective was to determine the strategic change management process at the Cooperative Insurance Company of Kenya, and the second was to establish the challenges involved in the management of strategic change at the company. To achieve these objectives, the study was carried out through interviews using an interview guide in which Divisional Managers and various Branch Managers were targeted. Of the eleven respondents who were targeted, ten participated in the study hence achieving a response rate of 90.9%. The findings of the study showed that the company has undertaken both structural and strategic changes. The structural changes were necessary in order to accommodate tremendous growth over the last five years. The changes involved the review of the organizational structure from a hierarchical to a flat one and the grouping of main business divisions. This resulted into the establishment of new positions in the company and merging of others. The company's strategic changes were guided by the 2012-2008 strategic plan. The changes involved adopting the Balanced Score Card as a strategic tool to develop a road map for the development of the company; amending of the corporate vision and mission, from taking the company to the top six insurers to focusing the company for the number one position in the industry, and the introduction of Performance Management as a tool for realizing growth among others. In initiating both the structural and strategic changes that have been implemented at CIC, the study findings established that most of the changes were planned. The changes were

introduced through a carefully managed communication of the need for change in which all the staff in the divisions were made aware of the situation in the company and the need for change in order jo deal with the market environment. The .changes were communicated by the Board' and CEO, while Divisional Managers carried out the implementation through further communication and training of Heads of departments (HODs). There were, however, instances the respondents indicated that changes were not planned. The study findings also showed that organizational culture was the main challenge that was involved in the management of change at ere. The culture was described as being too conservative and egocentric.

Ombaka (2014) also did a research on Resources, external environment, innovation and performance of insurance companies in Kenya. This study sought to contribute to knowledge and was premised on the view that resources influence performance both directly and indirectly through intervening effect of innovation and moderating effect of external environment. The study was anchored on the resource based theory, dynamic capabilities theory, knowledge based theory and the open systems theory. The main objective of the study was to establish the influence of external environment and innovation on the relationship between organizational resources and performance of insurance companies in Kenya. The study employed a positivist research paradigm and a cross-sectional survey design. Both primary and secondary data were collected from 46 insurance companies. Primary data was collected using a 5 point Likert type questionnaire and an interview guide. Secondary data on financial performance was collected from Association of Kenya Insurers annual report of 2011 and 2012. The study was guided by six specific objectives. To achieve these objectives, eight hypotheses were formulated and tested. Descriptive statistics, correlation and multiple regression analysis were used to analyze data. The findings established that both tangible and intangible resources had a statistically significant influence on nonfinancial performance of insurance companies in Kenya. However, there were mixed findings as regards the individual influence of resources on various firm performance indicators. Intangible resources evidenced statistically not significant results individually but when combined, they had a statistically significant influence on non-financial performance. The study also revealed that intangible resources had a statistically significant positive moderate correlation with innovation.

Tangible resources evidenced a weak positive correlation with innovation that was not statistically significant. Innovation had a statistically significant intervening influence on the relationship between resources and non-financial performance. There was a statistically not significant relationship between organizational resources, external environment and innovation. The external environment did not have a statistically significant moderating effect on the relationship between organizational resources and performance of insurance companies in Kenya. Finally, the joint effect of organizational resources, innovation and the external environment on non-financial performance was found to be greater than that of the individual variables. In the joint influence, innovation had the highest contribution followed by organizational resources. The contribution of the external environment was statistically not significant. The findings of this study lend partial support to previous studies. The results support the resource based view which proposes that resources are a source of a sustainable competitive advantage for the firm. The results of the study are significant for theory, policy and practice.

Maina (2014) in his study to establish the strategic planning and performance rating of insurance companies in Kenya, was guided by the objective of determining strategic planning and performance rating among insurance companies in Kenya. The study applied cross-sectional survey research design while also on the other hand the study population consisted of registered insurance companies in Kenya which are 49 in total. Data collection was done through the use of a questionnaire while analysis was conducted through the use of SPSS version 20 and data was collated and presented in form of tables and graphs. The study found out that strategic planning is key and fundamental for any insurance company that wants to be successful taking into consideration all the aspects of strategic planning and also the significance of performance rating in the evaluation process of a strategic plan.

Kiarie (2012) did a research on Strategy implementation at Co-operative Insurance Company Limited, Kenya. The objectives of the study were to determine Strategy Implementation Practices at CIC Insurance Limited Kenya and to establish factors influencing Strategy implementation at CIC Insurance Limited Kenya. The study adopted a cases study research design and an interview guide was used to collect

data. Data was analyzed using content analysis. From the study findings it was possible to conclude that some of the strategic management practices adopted by CIC insurance include the use of a top down approach in strategy implementation. It may be concluded that in some cases, CIC uses change agents and consultants to spearhead the strategy implementation. Specifically, a business unit headed by the general manager is charged with the responsibility of ensuring implementation. It may be concluded that in some instances, the balance score card approach is used. In all cases, CIC adopted best practices in employee involvement as everyone was involved in strategy implementation. It was also possible to conclude that the factors influencing strategy implementation at CIC were organizational leadership, culture, organizational resources, staff motivation, external factors, achievement of objectives and teamwork. It is recommended that CIC management needs to adopt best practices in strategic management. This includes Management commitment, Use of change agents, Team appointment and involvement, Training for all levels, developing an implementation plan, establishing a documentation structure and establishing an internal auditing system. For strategy implementation to be successful, CIC and insurance institutions need to align their culture to strategy implementation. Specifically, CIC needs to address the resistance of employees by improving on communication and training them and rewarding them adequately. CIC should therefore ensure that the leadership style is transformational and not transactional. The CIC management needs to enhance staff motivation. The management should a put in place proper compensation and reward structure for strategy implementation. This will ensure that the goals of the employees are aligned to the goals of the organization.

Magondu (2010) also did a research on Strategies adopted by insurance companies in Kenya to enhance corporate image. This study sought to establish the strategies adopted by insurance companies in Kenya to enhance corporate image. The population of interest was all the licensed insurance companies in Kenya. The main instrument in data collection was a close-ended structured questionnaire targeting the principal officer in each insurance company. Data collected was analyzed based on primary statistics using SPSS Package. The study found out that insurance companies use strategies such as managing the stakeholders' needs and expectations,

market development programs, engaging highly skilled staff, simplification of the wordings of insurance contracts and efficient processing and payment of claims to enhance corporate image. The findings of this study have important implications to the management of insurance companies as well as the regulator and academicians. The study recommends that insurance companies should endeavor to identify the needs and expectations of their key stakeholders in order to strategically manage them thus building public confidence. In addition the umbrella bodies steering the industry, and especially the Insurance Regulatory Authority (IRA) and the Association of Kenyan Insurers (AKI) should formulate market development programs to enhance corporate image of the constituting organizations. Training and development should also be embraced by all insurance companies through hiring highly trained/skilled staff, intensively training existing staff as well as training directors and senior management on good corporate governance principles. The college of insurance should tailor-make relevant training programs at affordable costs. The government should also consider including insurance in the school curriculum so that many people get to know about insurance and its benefits from an early stage. The study further recommends that the language of insurance contracts should be simplified and that insurance companies should employ effective mechanism to settle claims promptly as delays and disputes negatively impact on the corporate image.

Manguru (2011) did a study on the influence of strategic management practices on performance of Naivas limited. The focus of this study was directed on how the top management can selectively use strategic management practices to influence organizational performance in an environment which is conducive to all. The research focused on this because performance of all organizations within an economic system is critical for economic growth and development. It is the source of employment, thus good standards of living. Data include all facts and figures collected first hand and documented materials; from textbooks, interviews, published reports and the internet. Strategic management practices can be used in bridging the performance gap experienced by a firm.

Organizations apply strategic management practices in their operations which has a lot of influence on market conditions, employee knowledge and diversification of production line. Their success rests upon effective strategic management practices.

2.6 Critique of the Existing Literature

Although various studies have been done on the effect of strategic management and its determinants on performance, none has looked at how these determinants of strategic management affect performance. Askarany and Yazdifar (2012) did a study on the diffusion of six proposed strategic management tools in both manufacturing and non-manufacturing organizations in New Zealand. This study was on the strategic management tools and not on the strategic management determinants.

On the other hand, Gichunge (2007) examined the effect of formal strategic management on organizational performance of medium sized manufacturing enterprises in Nairobi, Kenya, Muogbo (2013) explored the impact of strategic management on organizational growth and development of selected manufacturing firms in Anambra State in Nigerian. Further, Manguru (2011) did a study on the influence of strategic management practices on performance of Naivas limited and found the organizations apply strategic management practices in their operations which has a lot of influence on market conditions, employee knowledge and diversification of production line. Their success rests upon effective strategic management practices. These studies too despite focusing on strategic management, they did not focus on the insurance companies and also not on the strategic management determinants.

Wamwati (2008) did a study on the critical success factors in the insurance industry in Kenya; however this study focused on measures of success in the industry but did not link success to strategy implementation. Karanja (2009) examined the innovation strategies adopted by insurance companies in Kenya. However this study never established the relationship between innovation and performance. Aswani (2010) examined the effect of marketing strategies on performance of insurance companies in Kenya. This study did not consider the statistic to establish whether these

strategies lead to improved performance. He also assumed that all insurance companies.

Wanjiru (2014) conducted a survey to determine strategic planning and performance rating among insurance companies in Kenya and found out that strategic planning is key and fundamental for any insurance company that wants to be successful taking into consideration all the aspects of strategic planning and also the significance of performance rating in the evaluation process of a strategic plan. This did not focus on strategic management as it generalized on the effect of strategic planning and performance rating among insurance companies.

2.7 Research Gaps

The performance of insurance companies in terms of institutional sustainability seems not encouraging despite the fact that international and national development programs have been giving high priority on sustainable insurance company to the poor for many years. Since the turn of the millennium, the general business environment has become more volatile, unpredictable, diverse and very competitive. Therefore coping with the increasingly diverse and competitive environment has called on firms to rethink their response strategies in organizational structure and culture (Hatch, 2013).

Most of the empirical works on performance (especially sustainability and success) of insurance companies have been in the South American and Asian countries (Nevajas *et al.,* 2009). Very few studies have tested the sustainability of such institutions in sub-Saharan Africa. In Kenya studies on the performance of insurance companies have not empirically tested the sustainability and success of such institutions. Wabita (2013), Mwangi and Murigu (2015), Ombaka (2015), Wanjiru (2014) and Kiarie (2013) sought to establish the factors and the extent to which they influence financial performance of insurance companies, determinants of financial performance of insurance companies in Kenya, determinants of financial performance in general insurance companies in Kenya, Organizational Resources, Innovation and Performance of Insurance Companies in Kenya, strategic planning and performance rating among insurance companies in Kenya, strategic planning

process among insurance companies in Kenya and Management of strategic change at the cooperative insurance company of Kenya Limited respectively.

Literature from past studies reveals that the findings from most researchers have not reached a common conclusion. Specifically, their findings did not specify the relationship between the various factors which they found to determine financial performance of general insurance companies of Kenya. Furthermore, the findings by Mwangi (2013), Wabita (2013) and Mutugi (2012) were inconclusive. Studies elsewhere reveal that the factors that influence organizational performance are specific and different in different markets. This study thus aimed to establish the determinants of financial performance of general insurance companies in Kenya. Further, most of the literature is from the developed countries whose company's strategy approach is different from that of Kenya. Thus there is a dearth of literature focusing on strategic management determinants and performance in insurance sector environment. This study therefore sought to fill this research gap by focusing on the strategic management determinants of organizational performance in the insurance industry in Kenya.

2.8 Summary

This study is anchored on resource-based view theory, competitiveness theory, contingency theory and theory of strategic balancing. The literature reviewed indicate that insurance companies should ensure provision of high quality services to increase customer retention rates, attract new customers through word of mouth advertising, boost productivity, market shares, lower the rate of staff turnover, lower operating costs, as well as improving employee morale, financial performance and profitability. Incremental technological innovations help improve company competitiveness with the ultimate aim of increasing company value. In a highly competitiveness market, core competence has emerged as a central concept for competitive strategy. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. Only those firms possessing resources and capabilities with special characteristics (distinctive factors) will gain competitive advantages and therefore achieve superior

performance. A strategic architecture identifies the core competencies to build and their constituent technologies. It provides a framework within which innovation can be planned and managed. The review also indicated that organizations can improve their overall productivity by shifting people from average to superior performance through development and by promoting right people. The idea of a KM system is to enable employees to have ready access to the organization's documented base of facts, sources of information, and solutions. Knowledge Management System as a source of core competence can be expressed as the capability to absorb new technology and in-house technology development. The literature highlighted the fact that there is strong interaction between IC and organizational corporate success. Values are social principles, philosophies, goals and standards considered to have intrinsic worth. It was also clear that organizational culture plays an important role in shaping behavior and performance of organizational members.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was adopted in the operationalization of the research and achievement of the study objectives. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed. Therefore in this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population and sampling, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

The study adopted a descriptive research design aimed at investigating strategic management determinants of insurance company performance in Kenya. A descriptive design is concerned with determining the frequency with which something occurs or the relationship between variables (Bryman & Bell, 2007). Thus, this approach was suitable for this study, since the study collected comprehensive information through descriptions which was helpful for identifying variables. Bryman and Bell (2011) assert that a descriptive design seeks to get information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. According to Polit and Beck (2003), in a descriptive study, researchers observe, count, delineate, and classify. They further describe descriptive research studies as studies that have, as their main objective, the accurate portrayal of the characteristics of persons, situations, or groups, and/or the frequency with which certain phenomena occur.

The cross-section research design was also selected because the study is a survey involving collection of data at one point in time. In addition, the cross sectional survey was preferred because it enabled assessing relationships between variables and it provides opportunity to identify moderators between variables (Tashakkori & Teddlie, 2012). Singleton (2009) describes a descriptive cross-sectional survey as a comprehensive design that enables large and diverse amounts of data to be collected within a short time frame and analyzed quantitatively, giving a credible presentation of results.

3.3 Target Population

According to Pole and Lampard (2010), a target population is classified as all the members of a given group to which the investigation is related, whereas the accessible population is looked at in terms of those elements in the target population within the reach of the study. Based on the recommendations of Churchill and Iacobucci (2010) and Frankfort-Nachmias and Nachmias (2012) in defining the unit of analysis for the study, the target population for this study was senior and middle level management staff of the 49 insurance companies registered with the Association of Kenya insurers (AKI) by December 2014. A population of 677 senior management staff was drawn from the following departments: finance, marketing, operations, human resources, risk and compliance and ICT since all their functions are centralized. This included the departmental heads and their assistants at the headquarters. The population also included the CEOs of each of the company. This adds up to a target population of 726 respondents from the insurance companies as shown in table 3.1.

Table 3. 1: Target Population

Department	Total Number	Percent
Finance	103	14.2
Marketing	127	17.5
Operations	157	21.6
Human Resource	83	11.4
Risk and Compliance	113	15.6
ICT	93	12.8
CEOs	49	6.7
Total	**726**	**100.0**

Source: AKI (2016)

3.4 Sampling Frame and Technique

3.4.1 Sampling Frame

Sampling is a deliberate choice of a number of people who are to provide the data from which a study drew conclusions about some larger group whom these people represent (Jankowicz, 2010). The sample size is a subset of the population that is taken to be representatives of the entire population (Onabanjo, 2010). A sample population of 251 was arrived at by calculating the target population of 726 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2004).

$$n = \frac{z^2 . N . \partial_p^2}{(N-1)e^2 + z^2 \partial_p^2}$$

Where; n = Size of the sample,

N = Size of the population and given as 726,

e = Acceptable error and given as 0.05,

∂p = The standard deviation of the population and given as 0.5 where not known,

Z = Standard variation at a confidence level given as 1.96 at 95% confidence level.

$$n = \frac{\{(1.96^2) \times 726 \times (0.5^2)\}}{\{((726-1) \times 0.05^2) + (1.96^2 \times 0.5^2)\}}$$

$$n = \frac{3.8416 \times 726 \times 0.25}{(725 \times 0.0025) + (3.8416 \times 0.25)}$$

$$n = \frac{697.2504}{2.7729}$$

$$n = 251$$

The study selected the respondents using stratified proportionate random sampling technique. Stratified random sampling is unbiased sampling method of grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness. The goal of stratified random sampling was to achieve the desired representation from various sub-groups in the population. In stratified random sampling subjects are selected in such a way that the existing sub-groups in the population are more or less represented in the sample (Kothari, 2004). The method also involves dividing the population into a series of relevant strata which implies that the sample is likely to be more representatives (Saunders *et al.*, 2009).

Table3.1: Sampling Frame

Department	Population	Ratio	Sample
Finance	103	0.35	36
Marketing	127	0.35	44
Operations	157	0.35	54
Human Resources	83	0.35	29
Risk and Compliance	113	0.35	39
ICT	93	0.35	32
CEOs	49	0.35	17
Total	**726**		**251**

Source: Author (2016)

3.4.2 Sampling Technique

The study selected the respondents using stratified proportionate random sampling technique. Stratified random sampling is unbiased sampling method of grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness. The goal of stratified random sampling was to achieve the desired representation from various sub-groups in the population. In stratified random sampling subjects are selected in such a way that the existing sub-groups in the population are more or less represented in the sample (Kothari, 2004). The study used simple random sampling to pick the respondents in each stratum.

3.5 Data Collection Technique

3.5.1 Primary Data

Primary data was obtained using self-administered questionnaires. The questionnaire was made up of both open ended and closed ended questions covering issues associated to insurance company performance. The open ended questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in illuminating of any information and the closed ended questions allowed respondent to respond from limited options that had been stated. According to Saunders (2012), the open ended or unstructured questions allow profound response from the respondents while the closed or structured questions are generally easier to evaluate. The questionnaires were used in an effort to conserve time and money as well as to facilitate an easier analysis as they are in immediate usable form.

3.5.2 Secondary Data

Secondary data was collected from other AKI reports that has been collected and tabulated through graphs, charts and reports. This type of data was collected from reference materials, which had key information and are helpful to this research study. Collection of secondary data was obtained through desk research, which was either from internal or external sources. The external sources include publication press,

newspapers, annual insurance reports, libraries, and various research related organizations.

3.6 Pilot Study

A pilot study was conduced to establish the validity and reliability of the research instrument and to enhance face validity (Joppe, 2009). From the pilot results reliability and validity was tested. The pilot testing was conducted using the questionnaire to 25 management staff of the insurance companies. This comprised 10% of the sample size. The pilot group was done through random sampling. Sekaran and Bougie (2010) recommend that the questionnaire pre-tests was done by personal interviews in order to observe the respondents reactions and attitudes. All aspects of the questionnaire were pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The feedback obtained was used to revise the questionnaire before administering it to the study respondents.

3.6.1 Validity

According to Golafshani (2003), validity is the accuracy and meaningfulness of inferences, based on the research results. One of the main reasons for conducting the pilot study is to ascertain the validity of the questionnaire. The study used both face and content validity to ascertain the validity of the questionnaires. Content validity draws an inference from test scores to a large domain of items similar to those on the test. Content validity is concerned with sample-population representativeness. Gillham (2008) stated that the knowledge and skills covered by the test items should be representative to the larger domain of knowledge and skills.

3.6.2 Reliability

Instrument reliability on the other hand is the extent to which a research instrument produces similar results on different occasions under similar conditions. It's the degree of consistency with which it measures whatever it is meant to measure (Bell, 2010). Reliability is concerned with the question of whether the results of a study are repeatable. A construct composite reliability co-efficient (Cronbach alpha) of 0.7 or

above, for all the constructs was considered to be adequate for this study (Rousson, Gasser & Seifer, 2012). Reliability coefficient of the research instrument was assessed using Cronbach's alpha (α) which was computed as follows:

$$\mathbf{A=k/k\text{-}1\times [1\text{-}\sum (S^2)/\sum S^2 sum]}$$

Where:

α= Cronbach's alpha

k = Number of responses

$\sum (S^2)$ = Variance of individual items summed up

$\sum S^2$sum = Variance of summed up scores

3.7 Data Collection Procedures

The researcher obtained an introduction letter from the university which was presented to each manager so as to be allowed to collect the necessary data from the respondents. The drop and pick method was preferred for questionnaire administration so as to give respondents enough time to give well thought out responses. Research assistants were trained on interviewing skills including developing rapport, convincing respondents to provide relevant data and seeking clarifications whenever necessary. Research assistants booked appointment with respondent organizations at least two days before visiting to administer questionnaires. The research assistants personally administered the research instruments to the respondents. This enabled them to establish rapport, explain the purpose of the study and the meaning of items that may not be clear as observed by Best and Khan (1987).

3.8 Data Analysis and Presentation

According to Saunders *et al.* (2007), quantitative data is based on meanings derived from numbers, the collection results in numerical and standardized data and analysis conducted through the use of diagrams. However, qualitative data is based on

meanings expressed through words, collection of results in non- standardized data requiring classification into categories and analyzing conducted through the use of conceptualization.

Data was analyzed using Statistical Package for Social Sciences (SPSS Version 21.0). All the questionnaires received were referenced and items in the questionnaire were coded to facilitate data entry. After data cleaning which entails checking for errors in entry, descriptive statistics such as frequencies, percentages, mean score and standard deviation were estimated for all the quantitative variables and information presented inform of tables and graphs. Descriptive statistics were used because they enable the researcher to meaningfully describe distribution of scores or measurements using few indices (Mugenda & Mugenda, 2003). The qualitative data from the open ended questions was analyzed using conceptual content analysis. Based on Zina and OLeary (2010) recommendation on the analysis of qualitative data, collected data was organized, sorted out, coded and thematically analyzed, searching for meaning, interpreting and drawing of conclusions on the basis of concepts.

Inferential data analysis was done using Pearson correlation coefficient and regression analysis (multiple regression analysis). Tanton (2007) indicated that in many statistical methods in particular parametric measures one presumes (at least approximate) normal distribution of the variables. Therefore for the purposes of using parametric statistics such as Pearson correlation and regression analysis, normal distribution of variables is needed and hence the variables were internally standardized. A preliquisite step in computing the inferential statistics is the factor analysis to pick the parameters that have the highest weight.

Factor analysis which is a systematic, statistical procedure used to uncover relationships amongst several variables was also conducted. This procedure enabled numerous correlated variables to be condensed into fewer dimensions known as factors. In the context of this research, the variables were the degree of agreement with various specific perception statements while the factors are the general underlying constructs. The factor analysis for this research was conducted using a

statistical package, SPSS. The purpose of factor analysis was to discover simple patterns in the pattern of relationships among variables. In its procedure, rotation was applied to identify meaningful factor names or descriptions. A rotation, which requires that the factors remain uncorrelated, is an orthogonal rotation, while a rotation, which requires the factors to be correlated, is called Oblique rotation. In this study, oblique rotation using Promax was carried out because the proposed framework indicates that the underlying constructs and variables are inter-correlated. Factor rotation was used to re-orient the factor loadings so that the factors are more interpretable. Use of Oblique rotation allows for correlations between factors since many attitudinal dimensions are in fact likely to be correlated. For easier interpretation of the factors, only the pattern matrix was examined. The factor extraction method adopted for this study was principal axis factoring. Principal Axis Factoring, unlike principal component analysis, relaxes the assumption that the communality is equal to one. As a result, using this method enabled the factor loadings to be higher, which leads to greater interpretability.

According to Creswell (2012), correlation technique is used to analyze the degree of association between two variables. The computation of a correlation coefficient yields a statistic that ranges from -1 to +1. This statistic is called a correlation coefficient (r) which indicates the relationship between the two variables being compared. The direction of the relationship is also important in that if it is positive (+) it means that there is a positive relationship between the two variables and this means that when one variable increases the other variable increases or when one variable decreases the other variable also decreases. A negative relationship (-) means that as one variable decreases the other variable increases and vice-versa and hence an inverse relationship. If there is no relationship the coefficient is equal to zero (0). Pearson correlation coefficient was used to determine the strength and the direction of the relationship between the dependent variable and the independent variable. The analysis using Pearson’s product moment correlation was based on the assumption that the data was normally distributed and also because the variables were continuous.

Multiple regression analysis was used to establish the relations between the independent and dependent variables. Multiple regression was used because it is the procedure that uses two or more independent variables to predict a dependent variable. The study used multiple regressions analysis to analyze the collected data to measure the effects of strategic management determinants on performance of insurance companies. Multiple regression attempts to determine whether a group of variables together predict a given dependent variable (Babbie, 2010). Since there were four independent variables in this study the multiple regression model generally assumed the following equation;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where:-

Y= Insurance companies performance

β_0=constant

$\beta_1, \beta_2, \beta_3$ and β_4, = Beta coefficients

X_1= Strategic orientation

X_2= Core competences

X_3= Intellectual capital

X_4= Organizational culture

ε = Error term

In testing the significance of the model, the coefficient of determination (R^2) was used to measure the extent to which the variation in insurance company performance is explained by the variations in strategic management determinants. F-statistic was also computed at 95% confidence level to test whether there was any significant relationship between strategic management determinants and insurance companies' performance. Normality was tested using the Kolmogorov-Smirnov and Shapiro-Wilk tests and also using the Quartile-Quartile plot. This analysis was done using

SPSS software and the findings presented in form of a research report. All necessary diagnostic tests such as Multi collinearity Test, Homoscedasticity, Normality test, Sampling Adequacy, Normality Test and CUSUM test for parameter stability were performed.

Hypothesis testing was done using p-value in a Chi-square test because it aids in the decision regarding the null hypothesis but also gives additional insight into the strength of the decision. The significance level of 0.05 was used because it is the level mostly used in business and social research (Mugenda & Mugenda, 2003). This represents that the results are at 95% confidence level and this is what the researcher applied in this study. The p-value that was obtained was based on the alpha level or the significance level.

3.9 Ethical Considerations

The researcher observed the following standards of behaviour in relation to the rights of those who became subject of the study or were affected by it: First, in dealing with the participants, they were informed of the objective of the study and the confidentiality of obtained information, through a letter that enabled them give informed consent. Caution was observed to ensure that no participant was coerced into taking part in the study and, the researcher sought to use minimum time and resources in acquiring the information required. The study adopted quantitative research methods for reliability, objectivity and independence of the researcher. While conducting the study, the researcher ensured that research ethics were observed. Participation in the study was voluntary. Privacy and confidentiality was also observed.

3.10 Operationalization of Variables

The operationalization of variables is shown in Table 3.3.

Table 3.2: Operationalization of Variables

Objectives	Type of Variable	Indicator	Measuring of Indicators	Scale	Tools of analysis	Type of analysis
To analyze the effect of strategic orientation on performance in the insurance industry in Kenya	Independent	Strategic Orientation	• Customer focus • Competitors Focus • Innovativeness	Ordinal Ordinal Ordinal	Percentages Mean score Standard deviation	Descriptive statistics Correlation analysis Regression analysis
To establish effect of core competences on performance in the insurance industry in Kenya	Independent	Core competencies	• Resources and Capabilities • Strategic intent • Key work processes • Knowledge management systems	Interval Ordinal Ordinal Ordinal	Percentages Mean score Standard deviation	Descriptive statistics Correlation analysis Regression analysis
To evaluate the effect of intellectual capital on performance in the insurance industry in Kenya	Independent	Intellectual Capital	• Human capital development • Relational capital • Structural capital	Ordinal Ordinal Ordinal	Percentages Mean score Standard deviation	Descriptive statistics Correlation analysis Regression analysis
To determine how organizational culture affect performance in the insurance industry in Kenya	Independent	Organizational culture	• Leadership emphasis • Reward system • Teamwork	Ordinal Ordinal Interval Ordinal	Percentages Mean score Standard deviation	Descriptive statistics Correlation analysis Regression analysis
	Dependent	Performance of Insurance companies	• Market share • Customer satisfaction • Efficiency in internal business process • premiums received	Interval Ordinal Ordinal Ordinal	Percentages Mean score Standard deviation	Descriptive statistics Correlation analysis Regression analysis

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

4.2 Response Rate

The study targeted a sample size of respondents from which 225 filled in and returned the questionnaires making a response rate of 89.6%. This response rate was satisfactory to make conclusions for the study based on Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

Table 4. 1: Response Rate

	Questionnaires Administered	Questionnaires filled & Returned	Percent
Respondents	251	225	89.6

4.3 Reliability Results

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved the sample respondents. Reliability analysis was subsequently done using Cronbach's Alpha which measured the internal consistency by establishing if certain item within a scale measures the same construct. Gliem and Gliem (2003)

established the Alpha value threshold at 0.7, thus forming the study's benchmark. The table shows core competencies had the highest reliability (α= 0.930), followed by organizational culture (α=0.865), strategic orientation (α=0.830), and intellectual capital (α=0.789). This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7.

Table 4.2: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items
Strategic Orientation	0.830	5
Core Competencies	0.910	8
Intellectual Capital	0.789	4
Organizational Culture	0.865	6

4.4 Demographic Information

This section focuses on the demographic information of the respondents including the period of service and their academic qualifications.

Table 4.3 shows the respondent's period of service, from the research findings, the study noted that most of the respondents as shown by 28.9% had served the organization for a period of more than 15 years 28.4% respondents had served the organization for a period of 10-15 years, 24.4% respondents had served the organization for a period of 6-10 years, 12.0% respondents had served the organization for a period of 4-6 years, 4.0% respondents had served the organization for a period of 2-4 years whereas 2.2% respondents had served the organization for a period of not exceeding 2 years. This implies that most of the respondents had served the organization for a considerable period of time which implies that they were in a position to give credible information relating to strategic management determinants of organizational performance in the insurance industry.

Table 4.3: Period of service with the company

Period	Frequency	Percent
Below 2 year	5	2.2
2-4 years	9	4.0
4-6 years	27	12.0
6-10 years	55	24.4
10-15 years	65	28.9
Above 15 years	64	28.4
Total	**225**	**100.0**

Table 4.4: shows the respondents' educational qualifications, from the research findings, the study noted that majority of the respondents as shown by 60.4% had a degree, 28.4% had masters, and 10.2% had college diploma certificates, while only 0.9% of the respondents indicated PhD level. This implies that majority of the respondents were well educated which implies that they were in a position to clearly understand the subject under investigation and clearly give out their response effortlessly. Educated employees in the insurance industry have helped in reaching out in a better and more professional way to the potential clients at all levels.

Table 4.4: Academic Qualifications

Academic Qualifications	Frequency	Percent
PhD Level	2	0.9
Masters Level	64	28.4
First Degree	136	60.4
Diploma	23	10.2
Total	**225**	**100.0**

4.3 Strategic Orientation and Performance

The study sought to establish the effect of strategic orientation on performance in the insurance industry in Kenya. To start with, the respondents were requested to indicate the level of strategic orientation in the company and the findings are presented in table 4.4.

From the research findings, most of the respondents as shown by 47.6% indicated dialogue strategic planning, 45.8% of the respondents indicated developing a strategic calendar, 6.2% of the respondents indicated integrating strategic whereas 0.4% of the respondents indicated strategic measurement.

Table 4.5: Level of strategic orientation in the company

Level of strategic orientation	Frequency	Percent
Strategic measurement	1	.4
Integrating strategic	14	6.2
Dialogue strategic planning	107	47.6
Developing a strategic calendar	103	45.8
Total	**225**	**100.0**

Table 4.5 shows the extent to which strategic orientation affect performance in the Kenyan insurance industry. from the findings, majority of the respondents a shown by 52.9% were of the opinion that strategic orientation affect performance insurance firms to a great extent, 40.0% of the respondents indicated to very great extent, 5.8% of the respondents indicated to moderate extent whereas 1.3% of the respondents indicated to little extent. This implies that strategic orientation affect performance insurance in Kenya firms to a great extent.

Table 4.6: Extent to which strategic orientation affect performance in the Kenyan insurance industry

Extent	Frequency	Percent
Little extent	3	1.3
Moderate extent	13	5.8
Great extent	119	52.9
Very great extent	90	40.0
Total	**225**	**100.0**

From the research findings, the study noted that the average weighted mean for customer focus was 4.387 which translate to great extent as per the measurement scale; in more refined words this implies that the organization focused on implementation of customer focus to a very great extent. The research also revealed that customer-focused culture helped the organization to build a loyal customer base. Customer service in most of the insurance companies focused on high levels of customer satisfaction where the organization concentrated on hiring employees with good people skills, training them in customer relations, training them on the products and monitoring for rapid response times. The findings are in line with the research by Woller, Dunford and Warner (2013) that delivering quality service to customers is very critical for success and continued existence in today's competitive financial services environment

The study noted that the average weighted mean for competitors focus was 4.240 which translate to great extent as per the measurement scale; in other words, this implies that the organization focused on implementation of competitors focus to a great extent. The study also noted that insurance companies had initiated strategies to deal with threat of new entrants; threat of substitute products; bargaining power of suppliers; bargaining power of buyers and rivalry among current competitors. Measures had also been instituted to deal with existence of these factors; high exit barriers, slow market growth, high fixed costs, low buyer switching costs and low levels of product diversification intensify rivalry in an industry and forces the rival

firms to seek competitive advantage. The findings are in support of the research by Finlay (2012) that competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors

The research found that the average weighted mean for innovation orientation was 4.311 which translate to great extent as per the measurement scale; which implies that the organization focused on implementation of innovation orientation to a great extent. the study also noted that innovation orientation had resulted to Though innovative firms continuously monitor their competitors, they "set out to make competition irrelevant Innovation orientation helped to define an organization or company as a leader with additional Positive implications relative to how it and its products or services are perceived by customers as well as by its competitors as well as by any analyst." Innovation orientation gave an organization the ability to make a quantum leap over their competition. the findings are in line with the research by Siguaw *et al*. (2006) in that innovation-oriented a firm focuses on developing key organizational competencies in resource allocation, technology, employees, operations and markets.

Table 4.7: Extent to which aspects of strategic orientation affects firms performance

Aspects of strategic orientation	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Customer focus	0%	1.3%	3.1%	51.1%	44.4%	4.387	0.617
Competitors Focus	0%	1.8%	7.1%	56.4%	34.7%	4.240	0.658
Innovation orientation	0%	1.3%	7.1%	50.7%	40.9%	4.311	0.662

The study sought to establish whether there have been product innovations made by the company in the last five years**.** From the research findings, all the respondents as shown by 100% response rate agreed that the there have been innovations in the company for the last five years. Among the new product innovation include; life insurance, pensions, annuities investment plans, general insurance, extended warranty, orient warranty orient mobile and orient extensive.

Table 4.8: Innovations made by the company in the last five years

Opinion	**Frequency**	**Percent**
Yes	255	100
Total	**255**	**100**

4.3.4 Correlation Results

Table 4.9: Relationship between Strategic orientation and Performance of insurance companies

Variable		Performance of Insurance Companies	Strategic orientation
Performance of Insurance Companies	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	**225**	
Strategic orientation	Pearson Correlation	.841	1
	Sig. (2-tailed)	.000	
	N	**225**	**225**

The table above displays the results of correlation test analysis between the dependent variable (Performance of Insurance Companies) and the independent variable (Strategic orientation). the study found a strong correlation coefficient between Performance of Insurance Companies and Strategic orientation as shown by

correlation factor of 0.841, this strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05, and this reveals that any positive change in Strategic orientation tactics/practices would enhance Performance of Insurance Companies.

4.3.5 Test Hypothesis One

The focus of hypothesis one was to determine the relationship between strategic orientation and strategy Performance of Insurance Companies. To test the first hypothesis, the index of Performance of Insurance Companies as index of dependent variable was regressed upon strategic orientation as a composite of independent variable.

Table 4.10: Model summary for Strategic orientation and Performance of Insurance Companies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.878 [a]	.771	.734	1.61305

a. predictors: (constant) Strategic Orientation

b. Dependent: Variable : Performance of insurance companies

From the findings as shown on table above, the adjusted R square for the regression of performance of insurance companies on strategic orientation is 0.734 which mean that strategic orientation explains 73.4% of variation on performance of insurance companies

Table 4.11: ANOVA results for Strategic orientation and Performance of Insurance Companies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.335	1	24.335	9.421	.000 [b]
	Residual	576.009	223	2.583		
	Total	600.344	224			

a. Dependent Variable : Performance of insurance companies

From the ANOVA results the F-ration (1, 224) = 24.335 for this relationship is significant at $p < 0.000$, which indicates that the model significantly predicts the outcome of the relationship between strategic orientation and performance of insurance companies

Table 4.12: Coefficient for Strategic orientation and Performance of Insurance Companies

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1		B	Std. Error	Beta		
	Constant	-9.812	1.325		-7.405	.000
	Strategic orientation	0.762	0.114	0.618	6.684	.000

b. Dependent: variable : Performance of insurance companies

The regression equation obtained from this output was:-

Performance =-9.812+ 0.762 strategic orientation+ e……………….equation (1)

The beta un-standardized coefficient for strategic orientation is 0.762 is also significant at $p < 0.000$, which means that when strategic orientation changes by one unit in the measurement scale, performance of insurance companies changes by 0.762 units. The constant term value is -9.812, implying that when strategic orientation is zero; performance of insurance companies would have a default value of -9.812. Therefore the null hypothesis one, which stated that there is no relationship between strategic orientation and Performance of insurance companies, is not accepted. The implication is that there exists a significant positive relationship between strategic orientation and Performance of insurance companies

The findings conforms with the research by Arthur and Strickland (2011) that a strategic orientation, should be carefully studied to enhance the understanding of how such businesses turn their culture into competitive weapons and that deeper understanding of strategic orientation facilitates the strategy formulation and implementation process enhances business performance. Strategic orientation gives organizations instructions on the requirements for continuous improvement of

performance, as the strategic orientation reflects the level of perception of managers of organizations to the external environment and their reaction to developments and environmental changes.

4.4 Core Competencies and Performance

The study further sought to establish the effect of core competences on performance in the insurance industry in Kenya. The findings are presented below.

Table 4.13: Extent to which the company focused on the clusters of core competencies

Clusters of core competencies	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Blue cluster (delivery-related competencies)	0%	0.9	5.8%	62.7%	30.7%	4.231	0.590
Purple (interpersonal competencies)	0%	0%	0.4%	45.3%	54.2%	4.538	0.509
Green cluster (strategic competencies)	0%	0	0.9%	50.2%	48.9%	4.480	0.518

From the research findings, the study noted that the average weighted mean for blue cluster (delivery-related competencies) was 4.231 which translate to great extent as per the measurement scale. In more refined words, this implies that the organization focused on implementation of delivery-related competencies to a very great extent.

From the research findings, the study noted that the average weighted mean for purple (interpersonal competencies) was 4.538 which translates to very great extent as per the measurement scale; in more refined words this implies that the organization focused on implementation of interpersonal competencies to a very great extent

The research revealed that the average weighted mean for green cluster (strategic competencies) was 4.480 which translate to great extent as per the measurement scale; in more refined words this implies that the organization focused on implementation of strategic competencies to a great extent.

Table 4.14: Extent to which core competencies affect performance in the Kenyan insurance industry

Extent	Frequency	Percent
Moderate extent	7	3.1
Great extent	126	56.0
Very great extent	92	40.9
Total	**225**	**100.0**

Table 4.13 shows the extent to which core competencies affect performance in the Kenyan insurance industry. From the findings, majority of the respondents a shown by 56.0% were of the opinion that core competencies affect performance insurance firms to a great extent, 40.9% of the respondents indicated to very great extent whereas 3.1% of the respondents indicated to moderate extent. This implies that core competencies affects performance insurance in Kenya firms to a great extent. The findings are in line with the research by Conchas (2009) that Core competencies are used by companies to design competitive positions and strategies that capitalize on corporate strengths, unify the company across business units and functional units, and improve the transfer of knowledge and skills among them.

Table 4.15: Extent to which core competencies affect the performance of the company

Core competencies	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Shared vision	0%	0%	12.0%	43.1%	44.9%	4.329	0.680
Institutional facilities (Infrastructure)	0%	5.3%	8.0%	57.3%	29.3%	4.107	0.760
Knowledge management systems	0%	4.4%	6.7%	35.6%	53.3%	4.378	0.799
Key work processes	0%	2.2%	2.2%	62.7%	32.9%	4.262	0.611
Key staff skills	2.7%	0%	0%	44.0%	53.3%	4.453	0.755
Strategic intent	4.4%	0%	0%	48.9%	46.7%	4.333	0.871
Resources and Capabilities	0%	4.0%	13.3%	36.9%	45.8%	4.244	0.833
Market positioning	0%	2.2%	6.7%	63.1%	28.0%	4.169	0.639

The research revealed that the average weighted mean for Shared vision was 4.329 which translate to great extent as per the measurement scale; in more refined words this implies that Shared vision affect the performance of the organization to a very great extent. the study also noted that A strong image to the outside world will helped to attract clients, suppliers, potential employees, sponsors and other stakeholder. Having a well-developed vision will be beneficial in creating confidence of external parties and that having a vision of the future will make it easier for people to continue and to contribute positively whenever the organization is going through hard times. The findings are in line with the research by Conchas (2009) that if employees feel committed to the realization of a vision, this vision can be the foundation of a strong corporate culture.

The research revealed that the average weighted mean for Institutional facilities (Infrastructure) was 4.107 which translates to great extent as per the measurement scale; in more refined words this implies that Institutional facilities (Infrastructure) affects the performance of the organization to a very great extent. The study also noted that Effective infrastructure management primarily ensures conformance to standards and interoperability between an organization's internal and external entities, while enhancing the flow of information throughout the organization. The findings are in line with the research by Luo (2012) Institutional facilities promoted adaptability necessary for a changeable environment and maintain effective change management policies and practices.

The study noted that the average weighted mean for knowledge management systems was 4.378 which translates to great extent as per the measurement scale; in more refined words this implies that knowledge management systems affects the performance of the organization to a very great extent. Further the study revealed that knowledge management increased innovation and helped create better customer relationships. Knowledge management gives staff members the knowledge they need to do their jobs better. This makes them more productive. The finding are in line with the research by Njuguna (2009) stated that organizational learning is a fundamental source of competitive advantage in an organization

The research revealed that the average weighted mean for institutional key work processes was 4.107 which translates to great extent as per the measurement scale; in more refined words this implies that Key work processes affects the performance of the organization to a very great extent. The study also revealed that Key Work Processes are important in building a sustainable competitive advantage. The findings are in line with the research by Wong and Aspinwall (2013) that competitive success depends on transforming a company‘s key processes into strategic capabilities that consistently provide superior value to the customer.

From the research findings, the study noted that the average weighted mean for key staff skills was 4.453 which translates to great extent as per the measurement scale; in more refined words this implies that key staff skills affects the performance of the

organization to a very great extent. The study also revealed that possessing superior skills is a prerequisite to building a sustainable competitive advantage and that a company that wants to increase its market share by getting more from its current employees and hiring the best from outside market will gain a great deal of superior performance. The findings are in support of the research by Zina and OLeary (2010) successful organizations of the future will be those, which understand the link between their business results and people.

The study also noted that the average weighted mean for strategic intent was 4.333 which translate to great extent as per the measurement scale; in more refined words this implies that strategic intent affects the performance of the organization to a very great extent. The research also revealed that the company relentlessly pursued its strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective. The findings are in line with the research by Deal and Kennedy (2010) strategic intent play an important role of establishing the direction in which it needs to be headed.

It was clear that the average weighted mean for resources and capabilities was 4.244 which translates to great extent as per the measurement scale; in more refined words this implies that resources and capabilities affects the performance of the organization to a very great extent. The research also revealed that resources have the power to give a firm a sustained competitive advantage. The findings are in support of the research by Priem and Butler (2011) that in order to obtain sustained competitive advantage, resources need to be: valuable, rare, imperfectly imitable and non-substitutable.

From the research findings, the study noted that the average weighted mean for market positioning, was 4.169 which translates to great extent as per the measurement scale; in more refined words this implies that market positioning affects the performance of the organization to a very great extent. Effective product positioning required a clear understanding of customer needs so that the right communication channels are selected and key messages will resonate with customers. The findings are in line with the research by Earley (2013) that effective

product positioning ensures that marketing messages resonate with target consumers and compel them to take action.

4.4.12 Correlation Results

Table 4.16: Relationship between core competencies and Performance of Insurance Companies

Variable		Performance of Insurance Companies	Core competencies
Performance of Insurance Companies	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	**225**	
core competencies	Pearson Correlation	.751	1
	Sig. (2-tailed)	.000	
	N	**225**	**225**

The table above displays the results of correlation test analysis between the dependent variable (Performance of Insurance Companies) and the independent variable (core competencies). The study found that there is a strong positive correlation between Performance of Insurance Companies and core competencies as shown by correlation factor of 0.751. The relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05, and this reveals that any positive change in core competencies tactics/practices would positively enhance performance of insurance companies.

4.4.13 Test Hypothesis two

The focus of hypothesis two was to determine the relationship between core competencies and strategy Performance of Insurance Companies. To test the second hypothesis, the index of Performance of Insurance Companies as index of dependent variable was regressed upon core competencies as a composite of independent variable.

Table 4.17: Model Summary for Core competencies and Performance

(a)

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	.778 [a]	.605	.624	1.58202

a. predictors: (constant) Core competencies

b. Dependent: Variable : Performance of insurance companies

From the findings as shown on table above, the adjusted R square for the regression of performance of insurance companies on core competencies is 0.624 which mean that core competencies explains 62.4% of variation on performance of insurance companies

Table 4.18: ANOVA for Core competencies and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.445	1	36.445	10.206	.000 [b]
	Residual	796.333	223	3.571		
	Total	832.778	224			

a. Dependent Variable : Performance of insurance companies

From the ANOVA results the F-ration F-ratio (1, 224) = 36.445 for this relationship is significant at $p < 0.000$, which indicates that the model significantly predicts the outcome of the relationship between core competencies and performance of insurance companies

Table 4.19: Coefficient for Core competencies and Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1	B	Std. Error	Beta		
Constant	-6.734	1.626		-4.141	.000
Core competencies	.734	.103	.696	7.126	.000

b. Dependent: variable : Performance of insurance companies

The regression equation obtained from this output was:-

Performance =-6.734 +0.734 core competencies+ e……..……………..equation (2)

The beta un-standardized coefficient for core competencies is 0.734 is also significant at $p < 0.000$, which means that when core competencies changes by one unit in the measurement scale, Performance of insurance companies changes by 0.734 units. The constant term value is -6.734, implying that when core competencies are at zero; Performance of insurance companies would have a default value of -6.734. Therefore the null hypothesis two, which stated that there is no relationship between core competencies and Performance of insurance companies, is not accepted. The implication is that there exists a significant positive relationship between core competencies and performance of insurance companies. The findings conforms with the research by Earley (2013) that Competitive advantages are generally derived directly from organizational core competencies adding that core competencies and distinguishing abilities contribute directly to its superior competitive advantages.

4.5 Intellectual Capital and Performance

Intellectual capital is the sum of everything everybody in the company knows that gives a competitive edge in the market place. Previous study on intellectual capital by Cabrita and Vaz (2012) indicates that intellectual capital as intangible assets that may be used as a source of sustainable competitive advantage. The study further inquired on the effect of intellectual capital on performance in the insurance industry in Kenya. The findings are illustrated below.

Table 4.20: Extent to which intellectual capital Affect the performance of the insurance company

Extent	Frequency	Percent
Moderate extent	7	3.1
Great extent	126	56.0
Very great extent	92	40.9
Total	**225**	**100.0**

Table shows the extent to which intellectual capital affect performance in the Kenyan insurance industry. From the findings, majority of the respondents as shown by 56.0% were of the opinion that intellectual capital affect performance insurance firms to a great extent, 40.9% of the respondents indicated to very great extent, whereas 3.1% of the respondents indicated to moderate extent. This implies that intellectual capital affects performance insurance in Kenya firms to a Great extent.

Table 4.21: Extent to which various aspects of intellectual capital affect firms performance

Aspects of intellectual capital	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Human capital development	2.7%	2.7%	0.9%	46.2%	47.6%	4.333	0.850
Social/relational capital	0%	0%	0%	55.1	44.9%	4.449	0.498
Structural capital (organizational capital)	0%	6.2	1.3	39.1	53.3%	4.396	0.801

From the research findings, the study noted that the average weighted mean for human capital development was 4.333 which translate to great extent as per the measurement scale; in more refined words this implies that human capital development affects the performance of the organization to a very great extent. The study also revealed that human capital development helped in extracting the best out of employees. It also plays an instrumental role in increasing the efficiency of employees, making them an indispensable resource for the organization. Human

Capital development enables the human resource professionals to hire the right candidate for the right role. Talent acquisition is one of the most crucial functions of an individual representing human resource vertical. Human capital development enables free flow of information between superiors and subordinates. Trainings and skill development activities are essential for upgrading the existing knowledge of employees and that human capital development highlights the importance of soft skills and personality development for employees. The findings are in line with the research by Choo and Bontis (2010) human capital management helps the employees to improve in areas where they feel they are lacking.

The study found that the average weighted mean for social/relational capital was 4.449 which translate to great extent as per the measurement scale; in more refined words this implies that social/relational capital affects the performance of the organization to a very great extent. The study also revealed that firms must develop social capital and learns to manage relational networks to gain and sustain a competitive advantage in different markets. Social capital ensures access to all the resources available over the span of market with the same price, the findings are in line with the research by Coleman, (2008) that SC is considered as the ties between firms, individuals and corporate actors that enable them to exchange benefits, resources, and perform mutual activities together.

From the research findings, it was clear that the average weighted mean for structural capital was 4.396 which translate to great extent as per the measurement scale; in more refined words this implies that structural capital affects the performance of the organization to a very great extent. The research also noted that structural capital is a stock of knowledge that is owned by the firm which encompasses corporate culture, information technology and explicit knowledge, product innovation, process optimization, and innovation among others. The findings are in support of the research by Bontis et al (2009) that companies that possess strong structural capital will have a supportive culture that permits their employees to try new things, to learn and to practice them, In turn this gives a company a competitive advantage over its competitors.

4.5.4 Correlation Results

Table 4.22: Relationship between intellectual capital and Performance of Insurance Companies

Variable		Performance of Insurance Companies	intellectual capital
Performance of Insurance Companies	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	**225**	
intellectual capital	Pearson Correlation	.783	1
	Sig. (2-tailed)	.000	
	N	**225**	**225**

The table above displays the results of correlation test analysis between the dependent variable (Performance of Insurance Companies) and the independent variable (intellectual capital). The study found a strong correlation coefficient between Performance of Insurance Companies and intellectual capital as shown by correlation factor of 0.783. This strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05, and this reveals that any positive change in intellectual capital tactics/practices would enhance Performance of Insurance Companies.

4.5.5 Test Hypothesis Three

The focus of hypothesis three was to determine the relationship between intellectual capital and strategy Performance of Insurance Companies. To test the third hypothesis, the index of Performance of Insurance Companies as index of dependent variable was regressed upon intellectual capital as a composite of independent variable.

Table 4.23: Model Summary for Intellectual Capital and Performance of Insurance Companies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.708	0.501	0.694	1.58202

a. predictors: (constant) intellectual capital

b. Dependent: Variable : Performance of insurance companies

From the findings as shown on table above, the adjusted R square for the regression of performance of insurance companies on intellectual capital is 0.694 which mean that intellectual capital explains 69.4% of variation on performance of insurance companies

Table 4.24: ANOVA for Intellectual Capital and Performance of Insurance Companies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.535	1	43.535	16.933	.000[b]
	Residual	573.333	223	2.571		
	Total	616.868	224			

a. Dependent Variable : Performance of insurance companies

From the ANOVA results the F-ration F-ratio (1, 224) = 43.535) for this relationship is significant at p <0.000, which indicates that the model significantly predicts the outcome of the relationship between intellectual capital and performance of insurance companies

Table 4.25: Coefficient for Intellectual Capital and Performance of Insurance Companies

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1	B	Std. Error	Beta		
Constant	-8.712	0.976		-8.926	.000
Intellectual capital	.759	0.126	0.756	6.619	.000
b. Dependent: variable : Performance of insurance companies					

The regression equation obtained from this output was:-

Performance = -8.712 + 0.759 Intellectual capital + e…………………equation (3)

The beta un-standardized coefficient for intellectual capital is 0.759 is also significant at $p < 0.000$, which means that when intellectual capital changes by one unit in the measurement scale, performance of insurance companies changes by 0.759 units. The constant term value is -8.712, implying that when intellectual capital is at zero; Performance of insurance companies would have a default value of -8.712. Therefore the third null hypothesis, which stated that there is no relationship between intellectual capital and Performance of insurance companies, is not accepted. The implication is that there exists a significant positive relationship between intellectual capital and performance of insurance companies.

4.6 Organizational Culture and Performance

The study also sought to determine how organizational culture affects performance in the insurance industry in Kenya. The findings are depicted below.

Table 4.26: Extent to which organizational culture affects the performance of the insurance company

Extent	Frequency	Percent
Little extent	13	5.8
Moderate extent	21	9.3
Great extent	117	52.0
Very great extent	74	32.9
Total	**225**	**100.0**

Table shows the extent to which organizational culture affect performance in the Kenyan insurance industry. From the findings, majority of the respondents a shown by 52.0% were of the opinion that organizational culture affect performance insurance firms to a great extent, 32.9% of the respondents indicated to very great extent, 9.3% of the respondents indicated to moderate extent whereas 5.8% of the respondents indicated to little extent. This implies that organizational culture affects performance insurance in Kenya firms to a Great extent.

Table 4.27: Extent that aspects of organizational culture affect forms performance

Aspects of organizational culture	Very low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std deviation
Market culture	0%	2.2%	6.2%	37.3%	54.2%	4.436	0.711
Leadership emphasis	0%	1.3%	2.7%	57.8%	38.2%	4.329	0.596
Reward system	1.3%	0%	2.7%	51.6%	44.4%	4.378	0.671
Teamwork	6.7%	0%	1.8%	40.4%	51.1%	4.293	1.023
Structure	0%	3.1%	8.9%	47.6	40.4%	4.253	0.746
Employee driven	0%	10.7%	0.4%	35.6%	53.3%	4.316	0.932

From the research findings, the study noted that the average weighted mean for market culture was 4.436 which translate to great extent as per the measurement scale; in more refined words this implies that market culture affects the performance of the organization to a very great extent. Further the study revealed that instilling a strong market culture in an organization. makes intuitive sense thus promoting competitive edge in market, promoted credibility and ease of purchase, customer loyalty and shared values, The findings are in support of the Manguru (2011) strong organizational market culture enhanced.

From the research findings, the average weighted mean for leadership emphasis was 4.329 which translates to great extent as per the measurement scale; in more refined words this implies that leadership emphasis affects the performance of the organization to a very great extent Further the study revealed that the employees need leadership to show them direction, motivate and inspire them to perform at their best and control or discourage any actions which may be damaging to the business as a whole. The findings are in support of the research by Askarany and Yazdifar (2012) that strong leadership ensured smooth running of the organization as a whole

From the research findings, the study noted that the average weighted mean for reward system was 4.378 which translates to great extent as per the measurement scale; in more refined words this implies that reward system affects the performance of the organization to a very great extent. Further the study revealed that the findings are in support of the strong reward system promoted employee retention, employee motivation, and employee productivity. The findings are in support of the research by Gichunge (2007) strong reward programs provide the advantage of centralized administration in all employee-related concerns, including benefits, pay and training

It was deduced that the average weighted mean for teamwork was 4.293 which translate to great extent as per the measurement scale; in more refined words this implies that teamwork affects the performance of the organization to a very great extent. Further the study revealed that teamwork fosters creativity and learning, blends complementary strengths, helped to build trust, promoted conflict resolution skills among the managers, promoted a wider sense of ownership and encouraged healthy risk-taking. The findings are in support of the research by Bontis *et al.* (2009) that teamwork allows employees to take greater responsibility for decision making and also allows team members to control more of the work process.

From the research findings, the study revealed that the average weighted mean for Structure was 4.253 which translates to great extent as per the measurement scale; in more refined words this implies that Structure affects the performance of the organization to a very great extent the study revealed that strong organizational structure enable the business to develop deeper and more trusting relationships with its clients. A key benefit of a strong culture is that there is less need for detailed

policies and procedures because the "way things are done around here" is well understood and accepted the findings are in support of the research by Bounties (2009). With a strong culture, employees and management understand what is required of them and they will try to act in accordance with the core values.

The findings show that the average weighted mean for Employee driven was 4.316 which translate to great extent as per the measurement scale; in more refined words this implies that Employee driven affects the performance of the organization to a very great extent. The research also noted that employee driven culture creates enthusiasm in an organization through times of challenge or difficult change. The findings are in support of the research by Manguru (2011) that employee driven culture improves collaboration between team members and colleagues and ultimately achieve greater success.

4.6.7 Correlation Results

Table 4.28: Relationship between organizational culture and Performance of Insurance Companies

Variable		Performance of Insurance Companies	Organizational culture
Performance of Insurance Companies	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	**225**	
organizational culture	Pearson Correlation	.773	1
	Sig. (2-tailed)	.000	
	N	**225**	**225**

The table above displays the results of correlation test analysis between the dependent variable (Performance of Insurance Companies) and the independent variable (organizational culture). the study found a strong correlation coefficient between Performance of Insurance Companies and organizational culture as shown

by correlation factor of 0.773, this strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05, and this reveals that any positive change in organizational culture tactics/practices would enhance Performance of Insurance Companies.

4.6.8 Test Hypothesis Four

The focus of hypothesis three was to determine the relationship between organizational culture and strategy Performance of Insurance Companies. To test the fourth hypothesis, the index of Performance of Insurance Companies as index of dependent variable was regressed upon organizational culture as a composite of independent variable.

Table 4.29: Model Summary for organizational culture and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.891[a]	0.794	0.754	1.58202

a. predictors: (constant) Organizational culture

b. Dependent: Variable : Performance of insurance companies

From the findings as shown on table above, the adjusted R square for the regression of performance of insurance companies on organizational culture is 0.694 which mean that organizational culture explains 69.4% of variation on performance of insurance companies

Table 4.30: ANOVA for organizational culture and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.445	1	36.445	15.675	.000[b]
	Residual	518.475	223	2.325		
	Total	554.92	224			

a. Dependent Variable : Performance of insurance companies

From the ANOVA results the F-ration F-ratio (1, 224) = 36.445) for this relationship is significant at p <0.000, which indicates that the model significantly predicts the outcome of the relationship between organizational culture and performance of insurance companies

Table 4.31: Coefficient for organizational culture and Performance

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1	B	Std. Error	Beta		
Constant	-9.602	.926		-10.369	.000
Organizational culture	.737	.141	.756	5.227	.000

b. Dependent: variable : Performance of insurance companies

The regression equation obtained from this output was:-

Performance = -9.602, + 0.737 Organizational culture + e……………..equation (4)

The beta un-standardized coefficient for organizational culture is 0.737 is also significant at p < 0.000, which means that when organizational culture changes by one unit in the measurement scale, Performance of insurance companies changes by 0.737 units. The constant term value is -9.602, implying that when organizational culture is at zero; Performance of insurance companies would have a default value of -9.602. Therefore the fourth null hypothesis, which stated that there is no relationship between organizational culture and Performance of insurance companies, is not accepted. The implication is that there exists a significant positive relationship between organizational culture and performance of insurance companies

4.7 Organizational Performance

The study sought to determine the trend of the various aspects of financial performance in the companies for the last five years.

Table 4.32: Financial performance

Aspects of Financial performance	Greatly Decreasing	Decreasing	Constant	Improved	Greatly Improved	Mean	Std deviation
Profitability	1%	2%	11%	51%	35%	4.29	0.72
Capital Growth	3%	6%	14%	48%	29%	4.34	0.57
Stability	6%	8%	9%	51%	26%	4.39	0.65

From the research findings, majority of the respondents agreed that the company has registered high improvement in stability (mean average 4.39), capital growth (mean average 4.34) and overall profitability (mean 4.29, std deviation 0.72).

4.7.1 Customer Base/ Clientele

The study sought to determine the trend of the following aspects of customer base performance in company for the last five years.

Table 4.33 Customer base/ clientele

Aspects of Customer base/ clientele	Greatly Decreasing	Decreasing	Constant	Improved	Greatly Improved	Mean	Std deviation
External customer Satisfaction	1.5%	4.4%	7.4%	32.4%	54.4%	4.28	1.08
Internal customer Satisfaction	2.9%	1.5%	8.8%	41.2%	45.6%	4.25	0.73
Market share/premiums	2.9%	2.9%	8.8%	54.4%	30.9%	3.76	0.98
Environmental aspect	5.9%	4.4%	11.8%	51.5%	26.5%	3.74	0.96
CSR	4.4%	5.9%	10.3%	58.8%	20.6%	4.16	0.78

From the resect findings the study noted that most of the organizations had recorded high improvement on external customer satisfaction as shown by a mean of 4.28, internal customer satisfaction as shown by a mean of 4.25, in area of corporate social responsibility as shown by a mean of 4.16, market share/premiums as shown by a mean of 3.76 and in the environmental aspect as shown by a mean of 3.74.

4.7.2 Internal business process

The study sought to determine the trend of the aspects of internal business process in company for the last five years.

Table 4.34: Internal business process

Aspects of Internal business processes	Greatly Decreasing	Decreasing	Constant	Improved	Greatly Improved	Mean	Std deviation
Research and development	4%	8%	11%	36%	41%	4.29	0.86
Technological capacity	4%	2%	9%	40%	45%	4.06	0.82
Business efficiency	2%	5%	7%	44%	42%	4.23	0.60

From the research findings the study noted that most of the organization had recorded high improvement on research and development as shown by a mean of 4.29, business efficiency as shown by a mean of 4.23 and technological capacity as shown by a mean of 4.06.

4.7.3 Learning and Growth

The study sought to determine the trend of the following aspects of Learning and growth in company for the last five years

Table 4.35: Learning and growth

Aspects of Learning and growth	Greatly Decreasing	Decreasing	Constant	Improved	Greatly Improved	Mean	Std deviation
Human resource development	3%	6%	8%	48%	35%	4.25	0.21
Organization competency	2%	4%	7%	44%	43%	4.27	0.17
Informatization	5%	2%	11%	54%	28%	4.01	0.87

From the resect findings the study noted that most of the organization had recorded high improvement on organization competency as shown by a mean of 4.257 developments as shown by a mean of 4.25 and informatization as shown by a mean of 4.01.

4.7.4 Trend of Profitability, Growth and Market Share

The study sought to examine the trend of the aspects of the organisation performance including the market share, growth as well as the profitability of insurance companies.

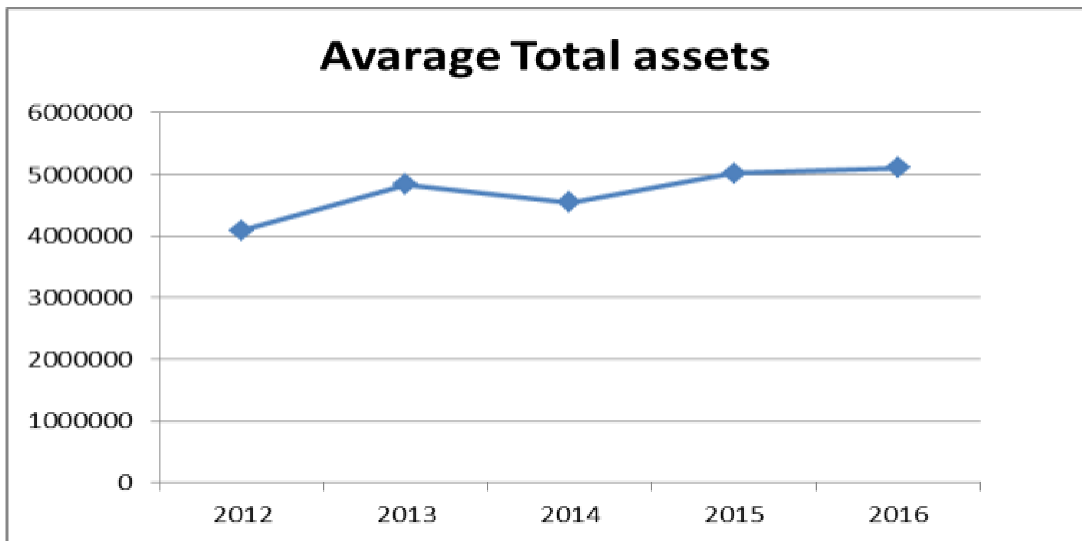

Figure 4. 1: Average Total Assets

From the findings in Figure 4.1, the study indicated that average total assets increased between 2012 and 2013, decreased slightly in 2013 but increased gradually between 2014 and 2016. This shows that the general growth of insurance companies has been fluctuating which is attributed to changing strategic orientation, core competencies, intellectual capital as well as diverse organizational culture of the insurance companies.

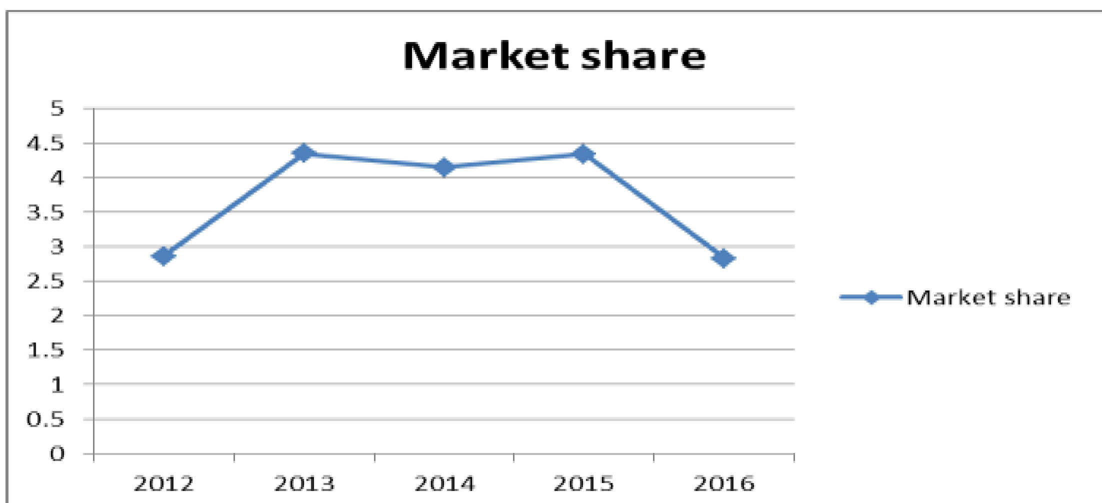

Figure 4. 2: Market Share

In Figure 4.2, the findings show that market increased between 2012 and 2013 but gradually decreased between 2013 and 2016. This shows the market share have decreased over the years considered in this study.

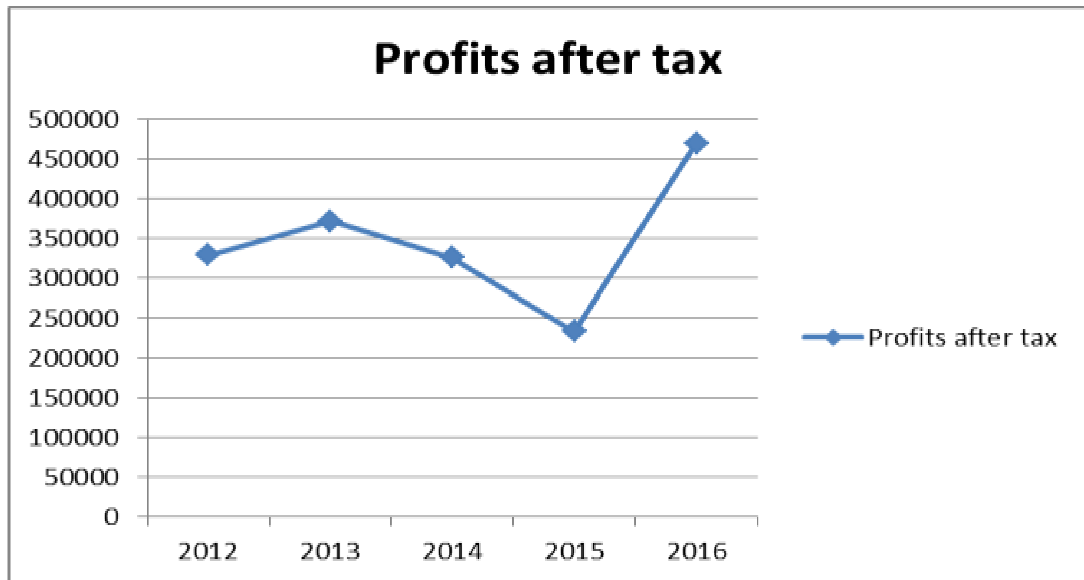

Figure 4. 3: Profit after Tax

Finally the findings show that profits after tax decreased between 2012 and 2015 but rapidly increased in 2016. This concurs with Wong *et al* (2007) who contends that performance is a contextual concept associated with the phenomenon being studied. Over the years, performance has evolved to encompass wider definitions and philosophies such as Profit Impact of Marketing Strategy (PIMS).

4.8 Correlation Results

On the correlation of all the study variables, the researcher conducted a Pearson moment correlation.

Table 4.36: Correlation Results

		Performance of insurance companies	Strategic Orientation	Core competencies	Intellectual capital	Organizational culture
Performance Of Insurance Companies	Pearson Correlation	1				
	Sig. (2-tailed)					
Strategic Orientation	Pearson Correlation	.827	1			
	Sig. (2-tailed)	.000				
Core Competencies	Pearson Correlation	.737	.042	1		
	Sig. (2-tailed)	.000	.002			
Intellectual Capital	Pearson Correlation	.769	.132	.912	1	
	Sig. (2-tailed)	.000	.045	.000		
Organizational Culture	Pearson Correlation	.756	.786	.151	.223	1
	Sig. (2-tailed)	.000	.000	.002	.001	

From the finding in the table above, the study found there was strong correlation coefficient between performance of insurance companies and strategic orientation as shown by correlation factor of 0.827. This strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.005. The findings also concur with the research findings by Robbins (2005) who found a strong positive correlation between strategic orientation and organizational performance adding that organizational strategic orientation helped to deliver significant impact to organizations undergoing or anticipating profound change.

The study also found strong positive correlation between performance of insurance companies and organizational core competencies as shown by correlation coefficient of 0.737. This too was also found to be significant at 0.000 level of confidence. The findings support the research by findings by Rice et al., (2012) who found a positive correlation between core competencies and organizational performance adding that core competencies promoted adaptability necessary for a changeable environment and maintain effective change management policies and practices

The study also found strong positive correlation between performance of insurance companies and intellectual capital as shown by correlation coefficient of 0.769 at 0.000 levels of confidence. The findings are in line with the research by Ambrosini, (2003) who found a strong positive correlation between intellectual capital and organizational performance adding that Intellectual capital can provide opportunities for achieving substantial savings, significant improvements in human performance, and other competitive advantage. Finally the study found a strong positive correlation between performance of insurance and organizational culture as shown by correlation coefficient of 0.756 at 0.000 levels of confidence.

4.9 Regression Results

In this study, a multiple regression analysis was conducted to test the influence among predictor variables. The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions. The model summary is presented in the table below.

Table 4.37: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.859[a]	.738	.734	1.452

a. Predictors: (Constant), Strategic Orientation Core Competencies, Intellectual Capital, Organizational Culture

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in the above table the value of adjusted R squared was 0.734 an indication that there was variation of 73.4percent on the performance of insurance companies due to changes in strategic orientation, core competencies, intellectual capital, organizational culture processes at 95 percent confidence interval. This shows that 73.4 percent changes in the performance of insurance companies could be accounted strategic orientation, core competencies, intellectual capital, and organizational culture.

The study further tested the significance of the model by use of ANOVA technique. The findings are tabulated in table below.

Table 4.38: Summary of One-Way ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1325.82	4	331.456	155.176	.000[b]
	Residual	469.92	220	2.136		
	Total	1795.74	224			

a. Dependent Variable: Performance Of Insurance Companies

b. Predictors: (Constant), Strategic Orientation Core Competencies, Intellectual Capital, Organizational Culture

Critical value = 2.46

From the ANOVA statistics, the study established the regression model had a significance level of 0.000 which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (155.1760 > 2.46) an indication that strategic orientation core competencies, intellectual capital, and organizational culture all affects the performance of insurance companies in Kenya. The significance value was less than 0.05 indicating that the model was significant.

In addition, the study used the coefficient table to determine the study model. The findings are presented in the table below.

Table 4.39: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-5.283	1.454		-3.633	.003
	Strategic Orientation	0.762	0.213	0.684	3.577	.000
	Core Competencies	0.624	0.146	0.609	4.274	.002
	Intellectual Capital	0.734	0.171	0.672	4.292	.000
	Organizational Culture	0.672	0.198	0.582	3.394	.000

From the data in the above table the established regression equation was

$\mathbf{Y} = -5.283 + 0.762X_1 + 0.624\ X_2 + 0.\ 734X_3 + 0.672X_4$

From the above regression equation it was revealed that holding strategic orientation, core competencies, intellectual capital, organizational culture, performance of insurance companies would be at -5.283, a unit increase in strategic orientation would lead to an increase in performance of insurance companies in Kenya by a factor of 0.762, a unit increase in core competencies would lead to increase in performance of insurance companies in Kenya by factors of 0.624, a unit increase in intellectual capital would lead to increase in performance of insurance companies in Kenya by factors of 0.734, and a unit increase in organizational culture would lead to increase an performance of insurance companies in Kenya by a factor of 0.672 All the variables were significant as their significant value was less than ($p<0.05$).

The findings are in support of the augment by that Arthur and Strickland (2011) that Competitive advantages are generally derived directly from organizational core competencies adding that core competencies and distinguishing abilities contribute directly to its superior competitive advantages. The findings are also in line with the research findings by Arthur and Strickland, (2011) that a strategic orientation should be carefully studied to enhance the understanding of how such businesses turn their

culture into competitive weapons and that deeper understanding of strategic orientation facilitates the strategy formulation and implementation process enhances business performance. Strategic orientation gives organizations instructions on the requirements for continuous improvement of performance, as the strategic orientation reflects the level of perception of managers of organizations to the external environment and their reaction to developments and environmental changes

4.10 Tests for Regression Assumptions

This section contains diagnostic tests for testing the regression assumptions such as Multi collinearity Test, Homoscedasticity, Normality test, Sampling Adequacy, Normality Test and CUSUM test for parameter stability were performed.

4.10.1 Multi collinearity Test

Problem may arise when two or more predictor variables are correlated. Heteroscedasticity means that previous error terms are influencing other error terms and this violates the statistical assumption that the error terms have a constant variance. Greene (2003) argues that the prediction is not affected, but interpretation of, and conclusions based on, the size of the regression coefficients, their standard errors, or the associated z-tests, may be misleading because of the potentially confounding effects of multi collinearity. In the presence of multi collinearity, Mason and Perreault (2011) demonstrate that the coefficient estimates may change erratically in response to small changes in the model or the data. However, the decision to finally drop an item also depends on a second step, where the variance inflation factor (VIF) is applied according to Greene (2013) and Baum (2006). The VIF detects multi collinearity by measuring the degree to which the variance has been inflated. A VIF greater than10 is thought to signal harmful multi collinearity as suggested by Baum (2006).

Table 4.40: Summary of Collinearity Statistics

Model	Collinearity Statistics	
	Tolerance	VIF
Strategic Orientation	0.924	2.728
Core Competencies	0.786	1.423
Intellectual Capital	0.634	1.352
Organizational Culture	0.780	3.427

The Variance inflation factor (VIF) was checked in all the analysis which is not a cause of concern according to Baum (2006) who indicated that a VIF greater than 10 is a cause of concern. The basic assumption is that the error terms for different observations are uncorrelated (lack of autocorrelation).

4.10.2 Homoscedasticity

Homoscedasticity assumes "that the dependent variable(s) exhibit an equal level of variance across the range of predictor variable(s)". Homoscedasticity is one of the assumptions required for multivariate analysis. Although the violation of homoscedasticity might reduce the accuracy of the analysis, the effect on ungrouped data is not fatal (Tabachnick & Fidell, 2007). Levene test was employed to assess the equality of variances for the variables calculated (strategic orientation, core competencies, intellectual capital, and organizational culture). Regression analysis assumes that variances of the populations from which different samples are drawn are

Equal. From table 4.40 the resulting P-value of Levene's test is less than the conventional 0.05 critical value, indicating that the obtained differences in sample variances are likely not to have occurred based on random sampling from a population with equal variances. Thus, there is significant difference between the variances in the population.

Table 4.41: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
1.626	5	291	.043

4.10.3 Normality test

Normality of the variables was examined using the skewness and kurtosis. According to Kline (2011) the univariate normality of variables can be assumed if the skewness statistic is within the interval (-3.0, 3.0) and the kurtosis statistic lying in the interval (-10.0, 10.0).

Table 4.42. Tests of Normality

Variables	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Strategic Orientation	0.127	224	0.039	0.887	224	0.012
Core Competencies	0.153	224	0.004	0.834	224	0
Intellectual Capital	0.126	224	0.041	0.924	224	0.397
Organizational Culture	0.153	224	0.004	0.808	224	0

a. Lilliefors Significance Correction

From the finding on the Kolmogorov-Smirnovand Shapiro-Wilk test on normality, the study found that significance in both test were less than 0.05 which is leads to the rejection of the null hypothesis that that data on the strategic management determinants were not normally distributed this is an indication that data on the variables were normally distributed.

4.10.4 Sampling Adequacy

In order to validate the validity of study's variables, tests of sampling adequacy were used. This enabled the study identify whether the items were appropriate for factorial analysis. The Table below shows Kaiser-Meyer-Olkin (KMO) test of sampling adequacy and Bartlett's test of sphericity. The test results show that the scales had

values above the threshold of 0.7 as established by Williams, Brown and Onsman (2012): recruitment (0.804), selection (0.720), reward (0.814), performance (0.779), training (0.852) and development (0.852).

Bartlett's Test of sphericity which analyzes if the samples are from populations with equal variances produced p-values less than 0.05 ($p < .001$). Since the Bartlett's test significances were less than 0.05 further indicates an acceptable degree of sampling adequacy (sample is factorable). Unlike the study's findings, values closer to 0 depict computational problems with the factor analysis: an issue of singularity, which implies multicollinearity in the data. Thus, it is acceptable to proceed with factor analysis.

Table 4.43: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test

Factors	KMO Test	Bartlett's Test of Sphericity			Determinant
		Approx. Chi-Square	df	Sig.	
Strategic Orientation	.804	352.056	4	.000	0.058
Core Competencies	.720	150.838	5	.000	0.297
Intellectual Capital	.814	585.613	4	.000	0.009
Organizational Culture	.779	192.378	6	.000	0.212

4.10.5 Normality Test

The Quartile-Quartile plot that test for normality. Generally, the plots do not deviate from the regression line which shows that the variables are normally distributed (Makkonen, Pajari & Tikanmäki, 2013).

4.10.6 CUSUM test for parameter stability

CUSUM test for parameter stability presented in the Figure below shows that the model is stable over time as it does not deviates from lines but is balanced on the line from one observation to another (that is there is no change in models parameters

given Harvey-Collier t(27) of 0.105681 with p-value 0.91660).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The study sought to analyze the effect of strategic orientation on performance in the insurance industry in Kenya, to establish effect of core competences on performance in the insurance industry in Kenya to evaluate the effect of intellectual capital on performance in the insurance industry in Kenya, and to determine how organizational culture affect performance in the insurance industry in Kenya

5.2 Summary

This section summarizes the major findings of the study variables on the strategic management determinants of organizational performance in the insurance industry in Kenya.

5.2.1 Strategic Orientation

Among the main objectives of the study was to assessed the effect of strategic orientation on performance in the insurance industry in Kenya, the results obtained from the correlation model showed a strong positive correlation between strategic orientation and performance in the insurance industry in Kenya (Person correlation value = 841 significant value =0.000). The study prediction results obtained from the regression model also revealed that a unit increase in strategic orientation practices would enhance performance in the insurance industry in Kenya by a factor of 0.762 units. Results obtained from descriptive statistics showed that strategic orientation affects performance insurance in Kenya firms to a great extent. Customer-focused culture helped the organization to build a loyal customer base. Customer service in most of the insurance companies focused on high levels of customer satisfaction where the organization concentrated on hiring employees with good people skills, training them in customer relations, training them on the products and monitoring for

rapid response times. The findings are in line with the research by Woller, Dunford and Warner (2013) that delivering quality service to customers is very critical for success and continued existence in today's competitive financial services environment

The study also noted that the insurance companies focused on implementation of competitors focus to great extent insurance companies had initiated strategies to deal with threat of new entrants; threat of substitute products; bargaining power of suppliers; bargaining power of buyers and rivalry among current competitors. Measures had also been instituted to deal with existence of these factors; high exit barriers, slow market growth, high fixed costs, low buyer switching costs and low levels of product diversification intensify rivalry in an industry and forces the rival firms to seek competitive advantage. The findings are in support of the research by Finlay, (2012), that Competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors.

And finally the study noted that most of the insurance firms focused on implementation of innovation orientation to a great extent. innovation orientation had resulted to Though innovative firms continuously monitor their competitors, they "set out to make competition irrelevant Innovation orientation helped to define an organization or company as a leader with additional Positive implications relative to how it and its products or services are perceived by customers as well as by its competitors as well as by any analyst." Innovation orientation gave an organization the ability to make a quantum leap over their competition. the findings are in line with the research by Siguaw *et al.* (2006) in that innovation-oriented a firm focuses on developing key organizational competencies in resource allocation, technology, employees, operations and markets.

5.2.2 Core Competencies

The second objective of the study was to assess the effect of core competencies on performance in the insurance industry in Kenya, the results obtained from the correlation model showed a strong positive correlation between core competencies and performance in the insurance industry in Kenya (Person correlation value =

0.751 significant value =0.000) The study prediction results obtained from the regression model also revealed that a unit increase in core competencies practices would enhance performance in the insurance industry in Kenya by a factor of 0.624.

Results obtained from descriptive statistic showed that that shared vision affect the performance of the insurance firms to a very great extent. the study also noted that a strong image to the outside world will helped to attract clients, suppliers, potential employees, sponsors and other stakeholder. Having a well-developed vision will be beneficial in creating confidence of external parties and that having a vision of the future will make it easier for people to continue and to contribute positively whenever the organization is going through hard times. The findings are in line with the research by Conchas, (2009) that if employees feel committed to the realization of a vision, this vision can be the foundation of a strong corporate culture
The research also revealed that that institutional facility (Infrastructure) affects the performance of the organization to a very great extent, effective infrastructure management primarily ensures conformance to standards and interoperability between an organization's internal and external entities, while enhancing the flow of information throughout the organization. The findings are in line with the research by Luo, (2012) Institutional facilities promoted adaptability necessary for a changeable environment and maintain effective change management policies and practices.

Knowledge management systems affect the performance of the organization to a very great extent. Further the study revealed that knowledge management increased innovation and helped create better customer relationships. Knowledge management gives staff members the knowledge they need to do their jobs better. This makes them more productive. The finding are in line with the research by Njuguna (2009) stated that organizational learning is a fundamental source of competitive advantage in an organization

Key work processes affect the performance of the organization to a very great extent. The study also revealed that Key Work Processes are important in building a sustainable competitive advantage. The findings are in line with the research by Wong and Aspinwall, (2013) that Competitive success depends on transforming a

company's key processes into strategic capabilities that consistently provide superior value to the customer.

The research noted that Key staff skills affect the performance of the organization to a very great extent, possessing superior skills is a prerequisite to building a sustainable competitive advantage and that a company that wants to increase its market share by getting more from its current employees and hiring the best from outside market will gain a great deal of superior performance. The findings are in support of the research by Zina and OLeary (2010) successful organizations of the future will be those, which understand the link between their business results and people.

The research also revealed that strategic intent affects the performance of the organization to a very great extent; most of the insurance companies in Kenya relentlessly pursued its strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective. The findings are in line with the research by Deal and Kennedy (2010), strategic intent play an important role of establishing the direction in which it needs to be headed.

On resources and capabilities, the research also revealed that resources and capabilities affects the performance of the organization to a very great extent, resources have the power to give a firm a sustained competitive advantage. The findings are in support of the research by Priem and Butler (2011) that in order to obtain sustained competitive advantage, resources need to be: valuable, rare, imperfectly imitable and non-substitutable.

Results on market positioning showed that having strong market positioning affects the performance of the organization to a very great extent; effective product positioning required a clear understanding of customer needs so that the right communication channels are selected and key messages will resonate with customers. The findings are in line with the research by Earley (2013) that effective product positioning ensures that marketing messages resonate with target consumers and compel them to take action

5.2.3 Intellectual Capital

The third objective of the study was to assessed the effect of intellectual capital on performance in the insurance industry in Kenya, the results obtained from the correlation model showed a strong positive correlation between intellectual capital and performance in the insurance industry in Kenya (Person correlation value = 0.783 significant value =0.000). The study prediction results obtained from the regression model also revealed that a unit increase in intellectual capital practices would enhance performance in the insurance industry in Kenya by a factor of 0.734 units.

Results obtained from descriptive analysis showed that intellectual capital affects performance insurance in Kenya firms to a great extent, human capital development helped in extracting the best out of employees, human capital development plays an instrumental role in increasing the efficiency of employees, making them an indispensable resource for the organization. Human capital development enables the human resource professionals to hire the right candidate for the right role. Talent Acquisition is one of the most crucial functions of an individual representing human resource vertical. Human capital development enables free flow of information between superiors and subordinates. Trainings and skill development activities are essential for upgrading the existing knowledge of employees and that human capital development highlights the importance of soft skills and personality development for employees. The findings are in line with the research by Choo & Bontis, (2010) human capital management helps the employees to improve in areas where they feel they are lacking.

Social/relational capital affects the performance of the insurance firms to a very great extent. The study also revealed that firms must develop social capital and learns to manage relational networks to gain and sustain a competitive advantage in different markets. Social capital ensures access to all the resources available over the span of market with the same price, the findings are in line with the research by Coleman, (2008) that SC is considered as the ties between firms, individuals and corporate

actors that enable them to exchange benefits, resources, and perform mutual activities together.

Structural capital affects the performance of insurance firms to a very great extent. The research also noted that structural capital is a stock of knowledge that is owned by the firm which encompasses corporate culture, information technology and explicit knowledge, product innovation, process optimization, and innovation among others. The findings are in support of the research by Bontis et al., (2009) that companies that possess strong structural capital will have a supportive culture that permits their employees to try new things, to learn and to practice them, In turn this gives a company a competitive advantage over its competitors

5.2.4 Organizational Culture

Among the main objectives of the study was to assessed the effect of organizational culture on performance in the insurance industry in Kenya, the results obtained from the correlation model showed a strong positive correlation between organizational culture and performance in the insurance industry in Kenya (Person correlation value = 0.783 significant value =0.000. The study prediction results obtained from the regression model also revealed that a unit increase in organizational culture practices would enhance performance in the insurance industry in Kenya by a factor of 0.672 units.

The research also found that organizational culture affects performance insurance in Kenya firms to a great extent, extent. instilling a strong market culture in an organization makes intuitive sense thus promoting competitive edge in market, promoted credibility and ease of purchase, customer loyalty and shared values, The findings are in support of the Manguru (2011) strong organizational market culture enhanced.

The research also revealed that Leadership emphasis affects the performance of the organization to a very great extent the employees need leadership to show them direction, motivate and inspire them to perform at their best and control or discourage any actions which may be damaging to the business as a whole. The

findings are in support of the research by Askarany and Yazdifar (2012) that strong leadership ensured smooth running of the organization as a whole

The study also noted that reward system affects the performance of the organization to a very great extent strong reward system promoted employee retention, employee motivation, and employee productivity. The findings are in support of the research by Gichunge (2007) strong reward programs provide the advantage of centralized administration in all employee-related concerns, including benefits, pay and training

The study also noted that that teamwork affects the performance of the organization to a very great extent. Teamwork fosters creativity and learning, blends complementary strengths, helped to build trust, promoted conflict resolution skills among the managers, promoted a wider sense of ownership and encouraged healthy risk-taking. The findings are in support of the research by Bontis *et al.* (2009), that teamwork allows employees to take greater responsibility for decision making and also allow team members to control more of the work process.

The study also revealed that strong organizational structure enables the business to develop deeper and more trusting relationships with its clients, a key benefit of a strong culture is that there is less need for detailed policies and procedures because the "way things are done around here" is well understood and accepted the findings are in support of the research by Bounties (2009), With a strong culture, employees and management understand what is required of them and they will try to act in accordance with the core values.

The study noted that employee driven culture affects the performance of the organization to a very great extent, employee driven culture creates enthusiasm in an organization through times of challenge or difficult change. The findings are in support of the research by Manguru (2011) that employee driven culture improves collaboration between team members and colleagues and ultimately achieve greater success

5.2.5 Performance

The study notes the most of the insurance firms had recorded high improvement on the following areas in the last five years: company stability, capital growth, overall profitability, external customer satisfaction , internal customer satisfaction area of corporate social responsibility, market share/premiums, environmental aspect research and development business efficiency, technological capacity, organization competency developments and informatization

5.3 Conclusions

Based on the study findings and discussions, this section covers the conclusions derived on the strategic management determinants of organizational performance in the insurance industry in Kenya.

5.3.1 Strategic Orientation

The correlation results obtained from the correlation model on effect of strategic orientation on performance in the insurance industry in Kenya shoed showed a strong positive correlation between strategic orientation and performance in the insurance industry in Kenya. The study also revealed that strategic orientation affects performance insurance in Kenya firms to a great extent. Customer-focused culture helped the organization to build a loyal customer base. Customer service in most of the insurance companies focused on high levels of customer satisfaction where the organization concentrated on hiring employees with good people skills, training them in customer relations, training them on the products and monitoring for rapid response times. The findings are in line with the research by Woller, Dunford and Warner (2013) that delivering quality service to customers is very critical for success and continued existence in today's competitive financial services environment. Therefore the study concludes that strategic orientation practice promoted the performance insurance firms in Kenya

5.3.2 Core Competencies

The study found a strong positive correlation between core competencies and performance in the insurance industry in Kenya. the study further deduced that shared vision affect the performance of the insurance firms to a very great extent. the study also noted that a strong image to the outside world will helped to attract clients, suppliers, potential employees, sponsors and other stakeholder. Having a well-developed vision will be beneficial in creating confidence of external parties and that having a vision of the future will make it easier for people to continue and to contribute positively whenever the organization is going through hard times. The findings are in line with the research by Conchas, (2009) that if employees feel committed to the realization of a vision, this vision can be the foundation of a strong corporate culture. Effective infrastructure management primarily ensures conformance to standards and interoperability between an organization’s internal and external entities, while enhancing the flow of information throughout the organization. The findings are in line with the research by Luo, (2012) Institutional facilities promoted adaptability necessary for a changeable environment and maintain effective change management policies and practices. Therefore the study concludes that Firms’ core competencies promoted the performance insurance firms in Kenya.

5.3.3 Intellectual Capital

The fourth objective of the study was to assessed the effect of intellectual capital on performance in the insurance industry in Kenya. It was clear that intellectual capital affects performance insurance in Kenya firms to a great extent, human capital development helped in extracting the best out of employees. it also plays an instrumental role in increasing the efficiency of employees, making them an indispensable resource for the organization, human capital development enables the human resource professionals to hire the right candidate for the right role, talent acquisition is one of the most crucial functions of an individual representing human resource vertical, human capital development enables free flow of information between superiors and subordinates, trainings and skill development activities are essential for upgrading the existing knowledge of employees and that human capital

development highlights the importance of soft skills and personality development for employees. The findings are in line with the research by Choo and Bontis, (2010) human capital management helps the employees to improve in areas where they feel they are lacking. Thus the study concludes that capitalization on Firms' intellectual capital promoted the performance insurance firms in Kenya.

5.3.4 Organizational Culture

The research found a strong positive correlation between organizational culture and performance in the insurance industry in Kenya. Results affirmed that organizational culture affects performance insurance in Kenya firms to a great extent, extent. instilling a strong market culture in an organization makes intuitive sense thus promoting competitive edge in market, promoted credibility and ease of purchase, customer loyalty and shared values, the findings are in support of the Manguru (2011) that strong organizational market culture enhanced. That strong leadership ensured smooth running of the organization as a whole, strong reward system promoted employee retention, employee motivation, and employee productivity. Teamwork fosters creativity and learning, blends complementary strengths, helped to build trust, promoted conflict resolution skills among the managers, promoted a wider sense of ownership and encouraged healthy risk-taking employee and that driven culture creates enthusiasm in an organization through times of challenge or difficult change. Thus the study concludes that capitalization on strong organizational culture promoted the performance insurance firms in Kenya.

5.4 Recommendations

In view of improving performance insurance firms in Kenya, the study recommends that the management of insurance firms in Kenya should implement knowledge management systems as this was associated to be a key driver towards Performance of Insurance Companies. Due to high market competitiveness reveled; the marketing management of insurance companies in Kenya should develop strategic marketing plans that differentiate each organization from the market rivals. Continuous market innovation and product Development of strong advocated. Strong focus on customer retention and building of loyalty is highly recommended

Insurance companies in Kenya should take advantage of developing core competencies which are difficult for competitors to imitate such may include building a simplified web for online customer marketing and selling of insurance products. Insurance companies in Kenya should have core competencies which portray breadth of application**,** i.e. Core competencies should open up a good number of potential markets. Insurance companies in Kenya should have core competencies which give customer something that strongly influences them or her to choose the company's product or service.

Periodically, insurance firms in Kenya should carry out SWOT analysis, business reengineering process is also encouraged to keep operations on tack. The research recommends that the strategic management of insurance firms in Kenya should work to ensure that that internal flow of activities are effective as the quality of coordination was found to be a crucial factor posting positive performance of organization.

The HR of insurance companies in Kenya needs to need to ensure that firm's policies encourage employee sense of belonging, policies that provide constant feedback on the positives and negatives, encourage open communication, and develop policies that communicate clear goals and expectations to the employees. Employee development should also be encouraged to tap intellectual capital. Standard employee compensation packages should be implemented to poster motivation for better employee productivity.

Insurance companies in Kenya should promote learning and growth at every opportunity this should include everyone in a company, from the CEO to the entry-level employee, continuous learning is essential to growing and adapting to dynamic market conditions. The HR should encourage employees to constantly improve their skills and market knowledge. Support employees who want to go back to school, attend training sessions or expand their market knowledge. This can provide tremendous long-term value to a company.

Although retaining intellectual property and advancing knowledge capacity are important to businesses, in an environment with staff shortages, inherent turnover, and an aging workforce leaders must do more than secure and develop intellectual capital. They must create a culture and infrastructure for embedding the wisdom of employees and teams into the way work is done every day.

The study recommends strategic management should work to ensure that strategic policies actively promote organizational effectiveness, reputation, values and ethics. Development of clear strategic goals is also important. The management of insurance companies in Kenya needs to establish an open-book management policy. This will promote transparency about how the organization is faring thus letting lets employees feel like trusted members of the team and have as much certainty as possible about the company's future prospects

Insurance companies in Kenya should clearly communicate their mission, vision and goals to employees. This will not only help to understand how the business is performing but also where it's headed. All employees should understand the goals of the company and how their individual jobs support them. This is essential for employee engagement. Also, by asking for regular feedback about how employees are tracking toward meeting their goals, leadership can get a good idea of the organization's progress

Insurance companies in Kenya should give employees some control over their work environments. Employees should be granted autonomy at work, combined with policies such as flexible work hours and unlimited vacation (within reason), employees begin to feel some control over how they engage at work for better performance and that that insurance companies in Kenya should develop objective pay policies

Insurance companies in Kenya should create a organizational culture to capture the wisdom of employees and embed it in the organization. This can be achieved via creating employee commitment through a professional practice environment, establishing the culture of a learning organization, generating social networks for sharing of information, and encouraging employee participation in decision making.

5.5 Areas for Further Research

Overall, the findings of the study provide substantial support for the conceptual framework. Specifically, the results demonstrate that strategic orientation, core competences, intellectual capital and organizational culture are powerful tools that can directly lead to competitive advantage and indirectly achieve superior performance of insurance companies in Kenya. Similar research should look on effects of dynamic capabilities on strategy implementation in the insurance companies in Kenya and finally there is need to investigate the effect of motivational strategies on performance among insurance companies in Kenya

A study should be undertaken in the area of bancasurance and its implication on the growth on insurance business in Kenya. A further study should be considered on the future role of micro insurance business in both benefiting the low-income citizens and increasing on the growth of the industry

Future studies should focus on the legal redress mechanisms available for the claimants or the insured and this can mitigate growth gaps in the industry. Other studies should be undertaken where the distributors of the insurance products, that is, the brokers and Agents are interviewed, as well as the general public. This will ensure that all Stakeholders contributions are taken into consideration in the attempt to alleviate the problem of low Insurance penetration in Kenya

5.6 Implications of the Study

This study contributes to the existing body of knowledge concerning strategic management which has become popular among companies. Practical application of the results will promote orientation in business on different dimensions, like marketing orientation, production orientation, to employee orientation or to customer orientation depending on firm's individual goals and strategies.

Intellectual capital is considered a highly valuable strategic asset which mainly includes intangible organization assets. Furthermore, with the good use of Intellectual capital, it is likely to result ineffective management and performance.

The purpose is to stimulate organizational capitalization on intellectual capital and to increase company competitiveness.

Further, since organizational core competencies are the basis of advantage in organizational competition, this study realization of these core competencies will allow managers to maintain the competitiveness of the companies. More important goals will be realized like those of gaining profit, growing and developing through competitive strategic advantages after this study. Finally the study results also promotes clear understanding on organizational culture especially on leadership.

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APPENDICES

Appendix I: Introduction Letter

6th October 2015

To whom it may concern

Dear Sir/Madam,

RE: RESEARCH FOR PHD THESIS BY IRENE MUGO

The above named person is a PhD student at JKUAT. As part of her academic requirements, she is writing her research thesis on STRATEGIC MANAGEMENT DETERMINANTS OF ORGANIZATIONAL PERFORMANCE IN THE INSURANCE INDUSTRY IN KENYA**.** In order to enable meet her research paper requirements, we request that you help her obtain data for use as may be necessary.

The information/data so obtained will be strictly confidential and for use of the intended purpose only. Kindly give her maximum assistance on our behalf. We sincerely value you as our partners/stakeholders

Yours Sincerely

Prof. G. Namusonge , Prof. M. Sakwa

JKUAT

Appendix II: Research Questionnaire

This questionnaire is to collect data for purely academic purposes. The study seeks to investigate Strategic Management Determinants Of Organizational Performance in the insurance industry in Kenya. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire.

Answer all questions as indicated by either filling in the blank or ticking the option that applies.

SECTION A: DEMOGRAPHIC INFORMATION

1) How long have you been in this company?

Less than 2 yrs [☐

2–4 yrs [☐

5-8 yrs [☐

8-10 yrs [☐

More than 10 yrs [☐

2) Academic Qualifications

PhD Level [☐

Masters Level [☐

First Degree [☐

Diploma [☐

KCSE [☐

Others………………… [☐

SECTION B: STRATEGIC MANAGEMENT DETERMINANTS AND PERFORMANCE

STRATEGIC ORIENTATION

3) What is the level of strategic orientation in your company?

Engaging in Strategic Dialogue [ ]

Strategic Planning [ ]

Strategic Measurement [ ]

Developing a Strategic Calendar [ ]

Integrating Strategic Dialogue [ ]

4) To what extent does strategic orientation affect performance in the Kenyan insurance industry?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

Not at all [ ]

5) To what extent do the following aspects of strategic orientation affect the performance of your company? Use a scale of 1-5 where 5= Very great extent; 4 Great extent; 3= Moderate extent; 2= Low extent and 1= Very low extent. Tick as appropriate.

	1	2	3	4	5
Customer focus	☐	☐	☐	☐	☐
Competitors Focus	☐	☐	☐	☐	☐
Innovation orientation	☐	☐	☐	☐	☐

6) What is the product range offered by your company?

………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………
………………………

7) a) Has there been innovations in your company for the last five years?

Yes [ ] No [ ]

b) If yes, kindly name some of these innovations?

………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………
………………………

8) In your opinion, how do the above aspects of strategic orientation affect the performance of your company?

…………………………………………………………………………………

…………………………………………………………………………………

…………………………………………………………………………………

………………………………

CORE COMPETENCIES

9) To what extent does your company focus on the following clusters of core competencies**?** Use a scale of 1-5 where 5= Very great extent; 4 Great extent; 3= Moderate extent; 2= Low extent and 1= Very low extent. Tick as appropriate.

	1	2	3	4	5
Blue cluster (delivery-related competencies)	☐	☐	☐	☐	☐
Purple (interpersonal competencies)	☐	☐	☐	☐	☐
Green cluster (strategic competencies)	☐	☐	☐	☐	☐

10) To what extent do core competencies affect performance in the Kenyan insurance industry?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

Not at all [ ]

11) To what extent do the following core competencies affect the performance of your company? Use a scale of 1-5 where 5= Very great extent; 4 Great extent; 3= Moderate extent; 2= Low extent and 1= Very low extent. Tick as appropriate.

	1	2	3	4	5
Shared vision	☐	☐	☐	☐	☐
Institutional facilities (Infrastructure)	☐	☐	☐	☐	☐
Knowledge management systems	☐	☐	☐	☐	☐
Key work processes	☐	☐	☐	☐	☐
Key staff skills	☐	☐	☐	☐	☐
Strategic intent	☐	☐	☐	☐	☐
Resources and Capabilities	☐	☐	☐	☐	☐
Market positioning	☐	☐	☐	☐	☐

12) In which way do the cited core competencies affect the performance of your company?

……………………………………………………………………………………

……………………………………………………………………………………

……………………………………………………………………………………

INTELLECTUAL CAPITAL

13) To what extent does intellectual capital affect performance in the Kenyan insurance industry?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

Not at all [ ]

14) To what extent do the following aspects of intellectual capital affect the performance of your company? Use a scale of 1-5 where 5= Very great extent; 4 Great extent; 3= Moderate extent; 2= Low extent and 1= Very low extent. Tick as appropriate.

	1	2	3	4	5
Human capital development	☐	☐	☐	☐	☐
Social/relational capital	☐	☐	☐	☐	☐
Structural capital (organizational capital)	☐	☐	☐	☐	☐

ORGANIZATIONAL CULTURE

15) To what extent does organizational culture affect performance in the Kenyan insurance industry?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

Not at all [ ]

16) To what extent do the following aspects of organizational culture affect the performance of your company? Use a scale of 1-5 where 5= Very great extent; 4 Great extent; 3= Moderate extent; 2= Low extent and 1= Very low extent. Tick as appropriate.

	1	2	3	4	5
Market culture	☐	☐	☐	☐	☐
Leadership emphasis	☐	☐	☐	☐	☐
Reward system	☐	☐	☐	☐	☐
Teamwork	☐	☐	☐	☐	☐
Structure	☐	☐	☐	☐	☐
Employee driven	☐	☐	☐	☐	☐

17) In your view, in which way does organization culture affect the performance of your company?

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18) What other strategic management factors affect the performance of your company?

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PERFORMANCE

19) What has been the trend of the following aspects of performance in your company for the last five years?

		Greatly Improved	Improved	Constant	Decreasing	Greatly decreased
Financial	Profitability	☐	☐	☐	☐	☐
	Growth	☐	☐	☐	☐	☐
	Stability	☐	☐	☐	☐	☐
Customer	External customer Satisfaction	☐	☐	☐	☐	☐
	Internal customer Satisfaction	☐	☐	☐	☐	☐
	Market share/premiums	☐	☐	☐	☐	☐
	Environmental aspect	☐	☐	☐	☐	☐
	CSR	☐	☐	☐	☐	☐
Internal business process	Research and development	☐	☐	☐	☐	☐
	Technological capacity	☐	☐	☐	☐	☐
	Business efficiency	☐	☐	☐	☐	☐
Learning and growth	Human resource development	☐	☐	☐	☐	☐
	Organization competency	☐	☐	☐	☐	☐
	Informatization	☐	☐	☐	☐	☐

END OF QUESTIONNAIRE

Thank you for taking your time to fill it.

Appendix III: List of Insurance Companies in Kenya

1 AAR Insurance Kenya Limited	P.O Box 41766 – 00100, NAIROBI
2 A P A Insurance Limited	P.O Box 30065 – 00100, NAIROBI
3 Africa Merchant Assurance Company Limited	P.O Box 61599 – 00200, NAIROBI
4 Apollo Life Assurance Limited	P.O Box 30389 – 00100, NAIROBI
5 AIG Kenya Insurance Company Limited	P.O. Box 49460 – 00100, NAIROBI
6 British-American Insurance Company (Kenya) Limited	P.O Box 30375 – 00100, NAIROBI
7 Cannon Assurance Limited	P. O. Box 30216-00100,NAIROBI
8 Capex Life Assurance Company Limited	P. O. Box 12043 – 00400, NAIROBI
9 CFC Life Assurance Limited	P.O. Box 30364 – 00100, NAIROBI
10 CIC General Insurance Limited	P.O. Box 59485 – 00200, NAIROBI
11 CIC Life Assurance Limited	P.O. Box 59485 – 00200, NAIROBI
12 Continental Reinsurance Limited	P.O. Box 76326-00508, NAIROBI
13 Corporate Insurance Company Limited	P.O. Box 34172 – 00100, NAIROBI
14 Direct line Assurance Company Limited	P.O. Box 40863 – 00100, NAIROBI
15 East Africa Reinsurance Company Limited	P.O. Box 20196 – 00200, NAIROBI
16 Fidelity Shield Insurance Company Limited	P. O. Box 47435 – 00100, NAIROBI
17 First Assurance Company Limited	P.O. Box 30064 – 00100, NAIROBI
18 G A Insurance Limited,	P.O. Box 42166 – 00100, NAIROBI
19 Gateway Insurance Company Limited	P.O. Box 60656 – 00200, NAIROBI

20 Geminia Insurance Company Limited	P.O. Box 61316 – 00200, NAIROBI
21 ICEA LION General Insurance Company Limited	P.O. Box 30190 – 00100, NAIROBI
22 ICEA LION Life Assurance Company Limited	P.O. Box 46143 – 00100, NAIROBI
23 Intra Africa Assurance Company Limited	P.O. Box 43241 – 00100, NAIROBI
24 Invesco Assurance Company Limited	P.O. Box 52964-00200, NAIROBI
25 Kenindia Assurance Company Limited	P.O. Box 44372 – 00100, NAIROBI
26 Kenya Orient Insurance Limited	P.O. Box 34530-00100, NAIROBI
27 Kenya Reinsurance Corporation Limited	P.O. Box 30271 – 00100, NAIROBI
28 Madison Insurance Company Kenya Limited	P.O. Box 47382 - 00100, NAIROBI
29 Mayfair Insurance Company Limited	P.O. Box 45161 – 00100, NAIROBI
30 Mercantile Insurance Company Limited	P.O. Box 20680 – 00200, NAIROBI
31 Metropolitan Life Insurance Kenya Limited	P.O. Box 46783 – 00100, NAIROBI
32 Occidental Insurance Company Limited	P.O. Box 39459 – 00623, NAIROBI
33 Old Mutual Life Assurance Company Limited	P.O. Box 30059 – 00100, NAIROBI
34 Pacis Insurance Company Limited	P.O. Box 1870 – 00200, NAIROBI
35 Pan Africa Life Assurance Limited	P.O. Box 44041 – 00100, NAIROBI
36 Phoenix of East Africa Assurance Company Limited	P.O. Box 30129 – 00100, NAIROBI
37 Pioneer Assurance Company Limited	P.O. Box 20333 - 00200, NAIROBI

38 Real Insurance Company Limited	P.O. Box 40001 - 00100, NAIROBI
39 Resolution Insurance Company Limited	P.O Box 4469 – 00100, NAIROBI
40 Shield Assurance Company Limited	P.O. Box 25093-00100, NAIROBI
41 Takaful Insurance of Africa Limited	P.O Box 1811 – 00100, NAIROBI
42 Tausi Assurance Company Limited	P.O. Box 28889-00200, NAIROBI
43 The Heritage Insurance Company Limited	P. O. Box 30390 - 00100, NAIROBI.
44 The Jubilee Insurance Company of Kenya Limited	P.O. Box 30376-00100, NAIROBI
45 The Monarch Insurance Company Limited	P.O. Box 44003 – 00100, NAIROBI
46 Trident Insurance Company Limited	P.O. Box 55651 – 00200, NAIROBI
47 UAP Insurance Company Limited	P.O. Box43013 - 00100, NAIROBI
48 UAP Life Assurance Limited	P.O. Box 23842 – 00100, NAIROBI
49 Xplico Insurance Company Limited	P.O Box 38106 – 00623, NAIROBI

Source: Insurance Regulatory Authority (2013)

Appendix IV: Secondary Data

Company	PROFITABILITY (Profit / Loss After Tax)				
	2012	2013	2014	2015	2016
AAR		139,705	223,117	410,727	319762
AIG	477,525	433,203			
Allianz				53,006	558,801
Amaco	95,827	145,097	142,653	176,986	-86,809
APA	234,948	558,801	837,865	863,200	2,359,410
APA LIFE		-86,809	-30,725	-31,434	-170,868
Apollo	-66,224	2,359,410			448,587
Barclays Life		-170,868		33,966	4,927
Britam general	1,450,258	448,587	25,552	-269,538	872,558
Britam LIFE		4,927	1,799,272	-84,108	2,637,187
Cannon	552,491	979,058	231,262	-58,960	55,041
Capex Life	11,387	450,093	1,624	4,313	-168,667
CFC Life	378,309	145,876			1,422,312
CIC General	930,028	145,938	844,777	816,759	508,019
CIC Life	297,697	150,973	303,807	236,788	
Corporate	236,704	496,555	220,691	232,986	
Direct line	322,539	583,794	450,818	195,872	930,028
Fidelity Shield	178,200	10,055	201,545	40,505	297,697
First Assurance	479,252	150,109	630,205	484,347	236,704
GA	462,117	326,806	597,620	533,770	322,539
GA LIFE		711,126	-4,489	10,232	145,876
Gateway	13,323	872,558	-683,065	-302,393	145,938
Geminia	242,298	2,637,187	339,016	151,929	150,973
Heritage	664,097	55,041	701,990	521,064	496,555

ICEA LION General	633,384	-168,667	826,173	568,611	583,794
ICEA LION Life	2,252,486	1,422,312	1,279,536	537,779	10,055
Intra Africa	89,489	508,019	16,196	101,823	150,109
Invesco	32,120	110,277	-69,461	31,730	326,806
Jubilee	655,828	0	1,872,564	1,917,523	711,126
Kenindia	221,687	941,611	-300,634	804,678	872,558
Kenya Orient	99,739	436,636	141,794	32,384	2,637,187
Kenyan Alliance	173,471		186,983	250,667	55,041
LIBERTY			610,307	468,477	277,702
Madison	719,502		277,702	1,110,201	360,111
Mayfair	44,905	304,627	360,111	402,652	
Mercantile	127,705	327,737			-85,945
Metropolitan Life	-91205	234,624	-85,945	-72,353	
Monarch	33,991	-744,493			311,600
Occidental	154,357	273,291	311,600	297,907	1,279,536
Old Mutual Life	-618,518	422,092	-416,430	-24,019	16,196
Pacis	62,705	114,714	170,596	93,813	-69,461
Pan Africa Life	308,779	57,151	573,793	336,668	
Phoenix	54,588	-20,370	800,444	100,282	610,307
Pioneer Life	41,048	76,191	369,980	200,347	277,702
Prudential Life		21,375	-66,220	-234,232	360,111
Real	201,990	-12,837	-191,616	-341,732	
Shield	29,262	259,443	21,354	27,345	-85,945
Takaful	-48,630		764	43,049	
Tausi	197,019	54,399	186,323	200,142	311,600
Trident	916,716	163,433	171,758	67,260	21,375
UAP General	1,292,577	1,233,213	195,648	149,978	-12,837
UAP Life	217,508	241,579	1,104,07	544,982	259,443

			2		
Xplico	38,824	56,642	-190,400	-423,487	
TOTAL ASSETS					
COMPANY	**2012**	**2013**	**2014**	**2015**	**2016**
APA Insurance Limited		1798261	2728926	3115511	5160166
AAR Insurance Kenya Limited		2245856	2661151	3637271	3969134
Africa Merchant Assurance Company Limited		3455219	4055129	4174707	4206384
AIG Kenya Insurance Company Limited	2310991	10493201	12388112	1059530	1072290
Apollo Life Assurance Limited	9288824	4571108	5283511	13676994	14327712
British-American Insurance Company (Kenya) Limited	5817682	2818810	2313903	9290923	9469378
Cannon Assurance Limited	2925182	10428522	10605178	2328780	2334367
Capex Life Assurance Company Limited	4186280	993777	1404924	10798053	11982281
CFC Life Assurance Limited	8576260	1096596	1279649	1332912	1432062
CIC General Insurance Limited	1132308	3899641	4319606	1414738	1327626
Continental Reinsurance Limited	3508460			5137968	5176081
Corporate Insurance Company Limited	4016214	4575645		5631813	5697982
Direct line Assurance Company Limited	2226088	2103458	5380035	2887954	2763526
East Africa Reinsurance Company Limited	4508176	4427166	2400357	5141363	5149283
Fidelity Shield Insurance Company Limited	2033204	5630722	4617959	7887026	8547646
First Assurance Company Limited	2533568	1967660	7093363	2041474	
G A Insurance Limited,	5542595	2659952	2250978	3621679	4069704

Gateway Insurance Company Limited	4833748	3795645	3066447	5450249	5937023
Geminia Insurance Company Limited	8950974	7785700	5048110	8850161	9697446
ICEA LION General Insurance Company Limited	1281819	1416571	8723577	1687231	1754207
Intra Africa Assurance Company Limited	1255679	2538728	1513125	3118667	3103786
Invesco Assurance Company Limited	10554701		3108232	14206318	13883461
Jubilee Insurance Company of Kenya Limited	7761609	15019043	12393937	8510040	7539400
Kenindia Assurance Company Limited	1272510	5585662	5830082	2937442	3018299
Kenya Orient Insurance Limited	19309484	1497132	2747508	29038221	30957813
Kenya Reinsurance Corporation Limited	2812235	22910663	26243009	2533564	3223196
Madison Insurance Company Kenya Limited	1517818	1266511	1568683	3649385	3995652
Mayfair Insurance Company Limited	2172568	2547556	3146583	2580025	
Mercantile Insurance Company Limited	802156	736363	2422028	1742179	2877504
Metropolitan Life Insurance Kenya Limited	1938521	2063591	1659813	2014337	2054233
Occidental Insurance Company Limited	998457	1625521	2048443		1557918
Old Mutual Life Assurance Company Limited	1961912	2077436	3168460		652567
Pacis Insurance Company Limited	2712322				4470290
Pan Africa Life Assurance Limited	1821756				1253455

Phoenix of East Africa Assurance Company Limited	629018		2497932	1473705	2182728
Pioneer Assurance Company Limited	645899		830850	1047715	1463513
Real Insurance Company Limited	4043789		1120594	1422331	1984621
Resolution Insurance Company Limited	743993		1697924	1874085	3326190
Shield Assurance Company Limited	10668546		3063293	3150706	1245413
Takaful Insurance of Africa Limited			886734	995434	4259595
Tausi Assurance Company Limited			3911965	4011187	16055834
The Heritage Insurance Company Limited			14702207	14519159	2092379
The Monarch Insurance Company Limited			1261838	2049050	2172145
Trident Insurance Company Limited		1798261	2728926	3115511	5160166
UAP Life Assurance Limited		2245856	2661151	3637271	3969134
Xplico Insurance Company Limited		3455219	4055129	4174707	4206384

	MARKET SHARE				
COMPANY	**2013**	**2014**	**2015**	**2016**	
A P A Insurance Limited	1.65	1.81	1.67	5.33	
AAR Insurance Kenya Limited			0.83		
Africa Merchant Assurance Company Limited					
AIG Kenya Insurance Company Limited					
Apollo Life Assurance Limited					
British-American Insurance Company (Kenya) Limited	18.07	17.87	19.59	2.58	

Cannon Assurance Limited	0.24	0.5	0.22	2.95	
Capex Life Assurance Company Limited	0.03	0.04	0.05	0.05	
CFC Life Assurance Limited	9.32	7.25	6.85	7.39	
CIC General Insurance Limited	6.76	0.42	0.43	5.71	
Continental Reinsurance Limited	0.46	0.23	0.13	1.4	
Corporate Insurance Company Limited	0.16	1.32	1.16	6.91	
Direct line Assurance Company Limited	1.64	0.14	0.15	0.25	
East Africa Reinsurance Company Limited	0.13	11.56	13.28	2.65	
Fidelity Shield Insurance Company Limited	14.53	19.54	14.47	1.38	
First Assurance Company Limited	15.34	4.48	5.29	3.15	
G A Insurance Limited,	4.77	0.36	0.83	3.87	
Gateway Insurance Company Limited	2.78	7.77	7.54	1.82	
Geminia Insurance Company Limited	0.35	2.57	3.88	4.38	
ICEA LION General Insurance Company Limited	0.46	0.7	0.63	5.11	
Intra Africa Assurance Company Limited	3.25	2.91		0.82	
Invesco Assurance Company Limited	12.54	9.84		1.89	
Jubilee Insurance Company of Kenya Limited	2.29	4.77		11.32	
Kenindia Assurance Company Limited	0.28	0.27		2.39	
Kenya Orient Insurance Limited	0.69	0.3		2.04	
Kenya Reinsurance Corporation Limited	0.09	-	-	2.55	
Madison Insurance Company Kenya Limited		0.68	3.23	1.84	
Mayfair Insurance Company Limited		0.08	7.9	1.67	
Mercantile Insurance Company Limited			6.74	0.86	
Metropolitan Life Insurance Kenya			0.22	0.31	

Limited					
Occidental Insurance Company Limited			0.48	3.2	
Old Mutual Life Assurance Company Limited				1.28	
Pacis Insurance Company Limited				0.79	
Pan Africa Life Assurance Limited				0.67	
Phoenix of East Africa Assurance Company Limited				0.78	
Pioneer Assurance Company Limited				0.89	
Real Insurance Company Limited				0.84	
Resolution Insurance Company Limited				1.03	
Shield Assurance Company Limited				8.92	
Takaful Insurance of Africa Limited					
Tausi Assurance Company Limited					
The Heritage Insurance Company Limited					
The Monarch Insurance Company Limited			0.91		
Trident Insurance Company Limited			0.04		
UAP Life Assurance Limited	4.18	4.58	3.47	1.01	
Xplico Insurance Company Limited					