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STRATEGIC ORIENTATION AND PERFORMANCE OF INSURANCE COMPANIES IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Despite the fact that insurance has been practiced for over a thousand years' world over, it is still a fact that insurance uptake is still very low, not only in Kenya but the world over. Overall gross premium declined by 0.8% in real terms. Premium growth in the industrialized countries was negative 1.1%. The general objective of this study was to examine the effect of strategic orientation on performance of insurance companies in Nairobi City County, Kenya. Specifically, the study sought to assess the effect of technological innovation on performance of insurance companies in Nairobi City County, Kenya, to determine the effect of product development on performance of insurance companies in Nairobi City County, Kenya, to establish the effect of process innovation on performance of insurance companies in Nairobi City County, Kenya and to assess the effect of market development on performance of insurance companies in Nairobi City County, Kenya. The descriptive research design was employed in this study. This study targeted management employees working in 56 insurance companies in Nairobi City County, Kenya. This implies that the unit of observation was insurance companies in Nairobi City County, Kenya while the unit of observation included 336 management employees working in these companies, top managers, middle level managers and lower level managers. The study's sample size was reached at using Krejcie and Morgan sample size determination formula. Therefore, using the formula, the sample size for the study was 179 respondents. The respondents were chosen with the help of simple random sampling technique. The study used questionnaires as the tool for data collection. The questionnaire was self-administered using drop-and-pick-up later technique. The questionnaire was piloted to a group of 18 managers who were excluded in the actual study. SPSS (version 22) was applied in analysing quantitative data where descriptive statistics was computed and presentations done in percentages, means, SD and frequencies. Displaying of the information was done in table and figures. Pearson R correlation was used to measure strength and the direction of linear relationship between variables. Multiple regression models were fitted to establish the effect of strategic orientation on performance of insurance companies in Nairobi City County, Kenya. The study concludes that process innovation has a significant effect on performance of insurance companies in Nairobi City County, Kenya. The study also concludes that market development has a significant effect on performance of insurance companies in Nairobi City County, Kenya. Base on the findings, the study recommends that the management of insurance companies should implement blockchain technology for claims processing and fraud prevention. Blockchain offers a secure, transparent, and tamper-proof system for recording transactions, which can streamline the entire claims process by ensuring that all data is accurate and accessible in real-time. The study also recommends that the management of insurance companies should focus on expanding their reach through partnerships with mobile network operators.

Key Words: Strategic Orientation, Process Innovation, Market Development, Performance of Insurance Companies

Background of the Study

Strategic orientations are "principles that direct and influence the activities of a firm and generate the behaviors intended to ensure its viability and performance" Due to increased globalisation and rapid changes in business environments, organizations way of transacting business is increasingly becoming turbulent. Under such an environment, business units should align their internal resources with their strategic focus such as marketing orientation, so as to remain competitive and also to achieve a superior organisational performance. (Ahlstrom, 2018). Strategic Orientation focuses on the way an organisation adjusts and interacts with its external environment. It has also been termed as strategic fit (Zhou & Li 2017). Since a firm‟s strategy should be multi-dimensional, different attributes of strategy should be pursued by a firm at the same time. By continuously seeking out new opportunities and ensuring strategic alignment, Lukas and Ferrell (2018) note that a firm‟s strategic orientation posture should take into account its market, competitor strategies, networking and entrepreneurial capacity. Consequently, by a firm developing an appropriate strategy that covers different operational angles, it is expected that it will remain competitive in the short and long-term period. Zhou and Li (2019) highlight that a firm performance is dependent upon its capacity to match its market demands with internal operations through adoption of appropriate technology and entrepreneurial posturing in order to achieve an increased performance as compared to its competitors.

According to Johnson and Scholes (2015) strategic orientation is considered as a critical component for not only profitability but the ultimate survival of any firm is depending on how an organization tends to use its available resources strategically (Chin-Chun &Zailani, 2016). Strategic orientation serves as a strategic tool to achieve competitive advantage through designed orientations that are market orientation and technology orientation which directs an organization to achieve superior performance through designed techniques which serves as a core reasons to achieve strategic advantages which are rare, valuable and imitable firm's resource. Building a proper linkage between the exploration of risky ideas and exploitation of old certainties serves as a medium to achieve competitive advantage over its direct and in direct competitors in the market (Hong &Yoo, 2019)

According to Zhou *et al.* (2015) strategic orientation is the company's strategic direction in creating the proper behaviour so as to achieve superior performance. Both market and innovation are the most strategic orientations for the company to achieve superior performance over a long term. Strategic orientations are ones consisting of four dimensions, namely market, learning, entrepreneurship and employee orientations. Strategic orientation is related to the decisions that businesses make to achieve superior performance(Ansoff, 2017). Strategic orientation is an organization's direction for reaching a suitable behavior in order to attain superior performance. Competitor and customer orientations are the most important for organizations to achieve long term success. Strategic orientation involves the implementation of strategic trending that guides the activities of an organization to embedded behaviors that achieve permanence in optimal conditions for the business Strategic orientation is therefore important in finding out the organization's chances and abilities support environment and to secure competitive advantage for itself. Gatignon and Xuereb (2016) postulate that strategic orientation as a firm's strategic direction in creating proper behaviors so as to achieve superior performance". Strategic orientation focuses on the way a firm adapts to and interacts with its external environments (Zhou & Li, 2019). Strategic Orientation has also been described as strategic fit, strategic predisposition, strategic thrust, and strategic choice (Morgan & Strong, 2018).

In Dar es Salaam, Tanzania Mohammed (2018) identified that the most popular strategic orientation strategies adopted by firms were mergers, differentiation, product innovation and strategic alliances. Adoption of these responses was found to contribute positively towards

improved performance. Diallo (2016) explored the effectiveness of coping strategies by commercial banks to environmental dynamics in Senegal. The findings showed that the strategic responses utilized by banks were differentiation, mergers, strategic alliances and product innovation. Banks the employed these strategies were found to be efficient in their operations and thus, they were able to retain a large clientele. Kasekendi (2017) found that the adoption of strategic responses allowed manufacturing firms to adapt effectively to the changing environment. This made it easier for such firms to continuously record good sales and profitability. A strong correlation was found to be present between strategic responses and performance.

In the Kenyan context strategic orientation has attracted growing attention as a tool to enhance performance. In the Kenyan context strategic responses has attracted growing attention as a tool to enhance performance. Firms operate in an environment that is complex and uncertain this necessitates the need to respond to environmental challenges so as to survive in the business environment (Murule, 2017). However, there are certain environmental aspects that the firm is sensitive and must therefore respond to survive. The environment comprises of opportunities, threats and constraints; rising prices, competition and technological changes are important topics that require organisations to find ways to maneuver in order to survive. Strategic responses have been described as effective in enabling a firm to cope with environmental alterations. These responses are changes which take place overtime to the strategies and goals of an organisation. Such change can be dramatic or gradual (Thompson, 2017).

As per IRA (2020), there are 56 insurance organizations in Kenya, licensed to transact general and life business. The sector is governed by the Insurance Regulatory Authority (IRA), insurance and companies Acts. The insurance companies also have formed a lobbying group for its interests called the association of Kenya Insurers (AKI). The sector assumes a fiduciary role which contributes to achievement of Kenya's Vision 2030.

According to a study conducted by ZEP RE 2020, the insurance industry has recorded a decline in underwriting revenue for the past five years. The industry recorded close to sh3 billion in underwriting losses in 2019 as a result of the sector's sluggish growth, low insurance penetration, and price undercutting. The study also cited fraud and lack of professionalism as additional challenges in the Kenyan insurance sector. AKI (2019) also notes that firms' premium undercutting towards protection of their market share is the primary driver of underwriting losses. Some insurance companies have to a large extent linked the decline of underwriting income to increased fraudulent claims especially in motor and medical claims. However according to AKI (2019), fraud is just enhancing an already bad situation because, if insurance companies are not doing their business well by price undercutting, then the little income is subjected to fraud, then losses are unavoidable. ZEP RE (2020), urges insurance companies to rethink price undercutting and embrace technology to grow the sector.

The insurance industry has in the last decade experienced major changes in their operations. Some of the changes can be attributed to regulation requirements while others are in response to technological advancements and changing consumer needs. Some regulation changes include demerger of composite firms as well as changes in capital requirements. To ensure compliance and survival, insurance companies have had to formulate and implement change strategies which involve mergers and acquisitions among others. Some acquisitions in the industry include acquisition of Real Insurance by Britam Insurance as well as acquisition of Phoenix of East Africa Assurance and Saham Assurance by Mauritius Union Assurance (MUA). Some of the notable mergers include ICEA and lion of Kenya Assurance to form ICEA LION group.

Problem statement

Despite the fact that insurance has been practiced for over a thousand years' world over, it is still a fact that insurance uptake is still very low, not only in Kenya but the world over. Overall gross

premium declined by 0.8% in real terms. The premium growth in the industrialized countries was negative 1.1% while emerging markets had an average growth of 1.3%, (Swiss Re-sigma, 2018). Statistics show that Global life insurance premiums shrank by 2.7% in 2017. Advanced markets contracted by 2.3%, with the sharpest decline observed in Western Europe (9.8%).The US market recorded moderate growth of 2.9%. Global non-life insurance premiums rose by 1.9% in 2011 (AKI report 2019). Insurance penetration is a global problem with developed markets like UK at about 11% and USA at about 8.6% (Swiss Re, Economic Research and Consulting). The insurance penetration in Kenya has been showing a downward trend from the year 2014 to 2018 with insurance penetration ratios of 2.88, 2.75, 2.71, 2.68 and 2.43 for the years 2014,2015,2016,2017 and 2018 respectively. In 2019, Insurance company assets to GDP (%) in Kenya contributed 6.6396 % to the growth and sustainability of the country's economy, this is according to the World Bank collection of development indicators. The Insurance business is critical to Kenya's economy as it generates jobs and wealth, protects consumers and prevents capital flight. Despite its critical role to the economy, insurance business in Kenya is coupled with a myriad of challenges such as poor corporate governance, undercutting, lack of insurance awareness, negative public perception and fraud. In the last few years, the insurance industry in Kenya has undergone a series of changes through financial reforms, the advancement of communication and information technologies, globalization of financial services and economic development (Association of Kenya Insurers [AKI] Report, 2015). These changes have had a considerable effect on efficiency, productivity and market structure and have given rise to a highly competitive environment that now affects the performance of insurers. Strategic orientation has been linked to positive changes in small businesses with resource and environmental changes as well as their larger counterparts.

Various studies have been conducted on strategic orientation and organizational performance. For instance, Paulo and Syed (2017) studied competitive threats, strategic orientation and performance on Brazilian business-to-business (B2B) firms, Koerte and Bernard (2017) examined strategic orientation practices adopted by incumbent company in response to low cost country competition and Kimutai (2018) studied external environment, firm capability, strategic responses and performance of large scale manufacturing firms in Uasin Gishu County). Nevertheless, none of these studies focused on strategic orientation and performance of insurance companies in Nairobi City County, Kenya. To fill the highlighted gaps, the current study sought to examine the effect of strategic orientation on performance of insurance companies in Nairobi City County, Kenya.

General Objective

The general objective of this study was to examine the effect of strategic orientation on performance of insurance companies in Nairobi City County, Kenya

Specific Objectives

i. To establish the effect of process innovation on performance of insurance companies in Nairobi City County, Kenya
ii. To assess the effect of market development on performance of insurance companies in Nairobi City County, Kenya

Theoretical Review

Resource Dependence Theory

Resource Dependence Theory (RDT) founded by Pfeffer and Salancik (1978) is a theoretical framework in organizational studies that examines how organizations strategically manage and depend on external resources to achieve their goals and sustain their operations. RDT argues that organizations exist within an environment where they must interact with external entities such as suppliers, customers, competitors, government agencies, and other stakeholders. These external entities possess resources that are crucial for the organization's survival and success (Awan &

Javed, 2022). Central to RDT is the concept of resource dependency, which suggests that organizations are dependent on external resources that they cannot fully control. These resources include financial capital, technology, information, expertise, raw materials, market access, and political support, among others. The theory posits that the ability of an organization to secure and manage these external resources effectively influences its organizational behavior, decision-making processes, and strategic actions (Akpoviroro, Akinbola & Olalekan, 2021).

Organizations employ various strategies to manage resource dependencies, including forming strategic alliances, diversifying suppliers, lobbying for favorable regulations, investing in technology, and engaging in networking activities. These strategies are aimed at reducing uncertainty, ensuring access to critical resources, and enhancing organizational resilience in a competitive environment. RDT also emphasizes power dynamics in resource exchanges between organizations and their external environment (Nyamau & Tari, 2023). Organizations with greater resource dependencies may find themselves in vulnerable positions if they lack alternatives or substitutes for essential resources. Conversely, organizations that successfully manage and diversify their resource dependencies can strengthen their competitive position and influence within their industry or market. Moreover, RDT highlights the role of inter-organizational relationships and networks in resource acquisition and management. Organizations often engage in strategic interactions with external stakeholders to negotiate resource exchanges, build trust-based partnerships, and gain access to complementary resources that contribute to their strategic objectives (Ahawo, 2021). This theory was relevant in establishing the effect of process innovation on performance of insurance companies in Nairobi City County, Kenya.

Resource Based View Theory

The Resource-Based View (RBV) theory founded by Barney (1991) is a strategic management framework that focuses on the internal resources and capabilities of a firm as sources of competitive advantage. At its core, RBV posits that a firm's unique bundle of resources and capabilities can enable it to achieve sustainable competitive advantage and superior performance in the marketplace. Unlike traditional strategic management approaches that primarily focus on external factors such as market dynamics and industry structure, RBV emphasizes the importance of internal factors in determining a firm's success (Osuoha, *et al*, 2023). RBV theory entails identifying and leveraging a firm's distinctive resources and capabilities to create value and achieve strategic objectives. Resources can include tangible assets such as physical infrastructure, financial capital, and technology, as well as intangible assets such as human capital, intellectual property, organizational culture, and reputation. These resources are considered valuable if they enable the firm to exploit opportunities or neutralize threats in the external environment. Capabilities, on the other hand, refer to the firm's ability to effectively deploy and utilize its resources to perform specific activities and achieve desired outcomes (Kirabu, Namusonge & Iravo, 2022).

The Resource-Based View (RBV) theory of strategic management is built upon several foundational assumptions that shape its approach to analyzing firm performance and competitive advantage. One key assumption of RBV is that firms are heterogeneous in terms of the resources and capabilities they possess. This means that each firm has a unique bundle of resources—both tangible and intangible—that is valuable, rare, difficult to imitate, and non-substitutable (VRIN). RBV posits that these distinctive resources and capabilities are the primary sources of sustained competitive advantage and superior performance (Omwanda & Rotich, 2020). Another assumption of RBV is that firms are rational and profit-maximizing actors that seek to exploit their resources and capabilities to create value for stakeholders. RBV theory also assumes that resources are not static, but can be developed, accumulated, and leveraged over time to enhance a firm's competitive position. This implies that firms can invest in building and renewing their resource base, as well as developing dynamic capabilities that enable them to adapt and respond effectively to changes

in the external environment. Additionally, RBV assumes that markets are imperfect and that firms can earn economic rents by possessing unique resources and capabilities that are not fully captured by market prices. These rents can arise from factors such as brand reputation, customer loyalty, and proprietary technology (Waruguru, Nteere & Nderitu, 2024). This theory was relevant in assessing the effect of market development on performance of insurance companies in Nairobi City County, Kenya.

Conceptual Framework

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. When clearly articulated, a conceptual framework has potential usefulness as a tool to assist a researcher to make meaning of subsequent findings (Tromp & Kombo, 2016). In this study, strategic orientation was measured using four constants namely technological innovation and product development. The dependent variable was organization performance. The operationalization of the variables was shown in Figure 2.1.

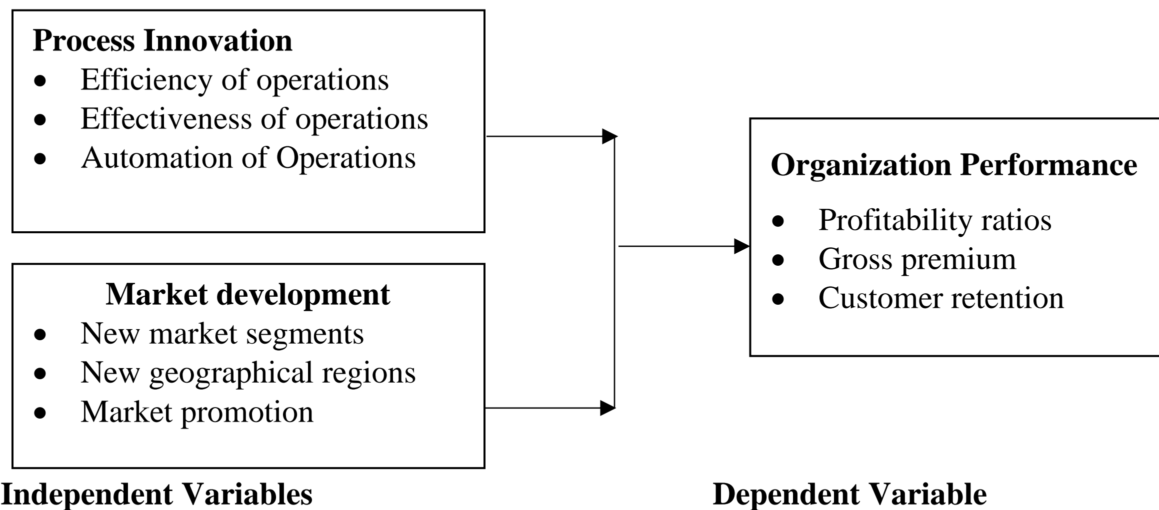

Figure 1: Conceptual Framework

Process Innovation

Process innovation refers to the implementation of new or significantly improved production or delivery methods. This type of innovation focuses on enhancing the efficiency, effectiveness, and flexibility of organizational processes. Process innovation can involve the adoption of new technologies, the development of new procedures, or the redesign of existing workflows to optimize performance and reduce costs (Ahawo, 2021). Efficiency of operations refers to the ability of an organization to maximize output with minimal input, reducing waste and optimizing resource utilization. This involves streamlining processes to eliminate unnecessary steps, improving workflow, and ensuring that every aspect of the operation is performed in the most cost-effective manner. Techniques such as lean manufacturing, Six Sigma, and process reengineering are often employed to enhance efficiency. Efficient operations result in lower production costs, faster turnaround times, and improved profitability. Additionally, efficient operations can help organizations respond more quickly to market changes and customer demands, providing a significant competitive advantage (Karanja, Kahuthia & Gakenia, 2020).

Effectiveness of operations focuses on achieving desired outcomes and meeting organizational goals through optimal performance. It involves ensuring that processes are not only efficient but also aligned with strategic objectives and customer requirements. Effectiveness is measured by the quality of the output, customer satisfaction, and the ability to deliver products or services that

fulfill their intended purpose. Organizations achieve effectiveness by implementing best practices, adhering to industry standards, and continuously monitoring and improving performance. Effective operations contribute to the overall success of the organization by ensuring that resources are utilized in a way that delivers the maximum value to stakeholders (Awan & Javed, 2022).

Automation of operations involves the use of technology to perform tasks with minimal human intervention. This can include robotic process automation (RPA), artificial intelligence (AI), machine learning, and other advanced technologies to automate repetitive, routine, and complex tasks. Automation enhances efficiency by reducing the time and effort required for manual processes, minimizing errors, and increasing consistency. It also allows employees to focus on higher-value activities that require creativity, critical thinking, and problem-solving. Furthermore, automation can lead to significant cost savings, scalability, and the ability to operate 24/7 without interruption. By integrating automation into operations, organizations can improve productivity, accuracy, and agility, positioning themselves for long-term success in a rapidly evolving technological landscape (Akpoviroro, Akinbola & Olalekan, 2021).

Market development

Market development is a growth strategy that involves expanding into new markets to increase sales and reach a broader customer base. This can be achieved by targeting new geographic areas, customer segments, or industries with existing products or services. The primary goal of market development is to find new opportunities for growth and diversify the company's revenue streams (Kirabu, Namusonge & Iravo, 2022). Exploring new market segments involves identifying and targeting groups of potential customers that the organization has not previously focused on. This process begins with market research to understand the needs, preferences, and behaviors of different customer groups. By segmenting the market, companies can tailor their products, services, and marketing strategies to meet the specific requirements of these new segments. For example, a technology company might develop a version of its software tailored for small businesses, after previously targeting only large enterprises. By addressing the unique pain points and demands of different segments, businesses can create more personalized and effective marketing campaigns, ultimately driving higher engagement and conversion rates. Targeting new market segments not only expands the customer base but also enhances the company’s ability to meet diverse market needs (Omwanda & Rotich, 2020).

Expanding into new geographical regions is a strategic move to tap into untapped markets and diversify revenue streams. This involves entering regions where the company’s products or services are not currently available, such as different countries, states, or cities. Successfully entering new geographical regions requires comprehensive market analysis to understand local market dynamics, consumer behavior, and competitive landscape. It also involves adapting products and services to align with local tastes, cultural preferences, and regulatory requirements. For instance, a food and beverage company might modify its product offerings to suit local culinary tastes or comply with regional food safety regulations. Establishing a local presence through partnerships, distribution networks, or local offices can facilitate smoother market entry and build trust with local customers. Expanding into new geographical regions can significantly increase market share and drive long-term growth (Waruguru, Nteere & Nderitu, 2024).

Market promotion is essential for creating awareness, generating interest, and driving demand for products or services in new market segments and geographical regions. Effective market promotion involves a mix of advertising, public relations, sales promotions, and digital marketing strategies tailored to the target audience. For new market segments, promotional efforts should highlight how the product or service meets the specific needs and preferences of the segment. For new geographical regions, promotions should consider local media channels, cultural nuances, and regional language preferences. Utilizing social media, search engine marketing, and content

marketing can enhance visibility and engagement in the target market. Additionally, leveraging local influencers, attending trade shows, and running localized campaigns can further boost promotional efforts. A well-executed market promotion strategy ensures that the company's offerings are top-of-mind for potential customers, driving adoption and market penetration (Mucheru, Nyamboga & Mwiti, 2023).

Empirical Review

Process Innovation and Organization Performance

Awan and Javed (2022) researched on the impact of process innovation on the performance of employees. Data were collected through survey questionnaires from 200 respondents mainly from production, R&D and marketing departments of manufacturing companies. The study found that there is positive relationship between process innovation and performance of employees. The study concluded that process innovation has a positive impact on the performance of the employees.

Akpoviroro, Akinbola and Olalekan (2021) conducted a study on the impact of process innovation on organizational performance. Primary and secondary data was employed for the study. The population of the study was the staff of Etisalat Telecommunications Company, Nigeria with primary focus on the NNPC-Ikoyi branch. The study found that process innovation has a significant effect on organizational performance and there exist a significant relationship between service modification and sales volume. The study concluded that service process innovation has a significant effect on organizational performance and there is exist a significant relationship between process service modification and sales volume.

Nyamau and Tari (2023) investigated on process innovation and the performance of financial technology companies in Kenya. The study adopted a descriptive research design to determine the problem under investigation. The target population of this study was 36 financial technology companies in Kenya. The study found that there is a positive and significant relationship between the implementation of process innovation and the performance of financial technology companies in Kenya. The study concluded that process innovation had a positive and significant effect on the performance of financial technology companies in Kenya.

Ahawo (2021) examined on process innovation and performance of nonprofit organizations in Kenya. The study adopted a descriptive cross sectional research design. The target population was the top and middle managers of humanitarian organizations in Kenya which were selected through random sampling. The study found a strong positive correlation between process innovation and performance of nonprofit organizations. The study concluded that there was a positive and significant relationship between process innovation and organizational performance of humanitarian organizations in Kenya.

Karanja, Kahuthia and Gakenia (2020) assessed on process innovation and organizational performance: a case study of Telkom Kenya Limited. A descriptive case study design was used. The study was a census of all the 40 employees of Telkom Kenya Ltd headquarters. The study found that process innovation has a positive effect on organizational performance. The study concluded that process innovation has a positive influence on organizational performance.

Market development and Organization Performance

Osuoha, *et al* (2023) investigated on the market development strategies and firm's performance a study of selected product organizations in Enugu State. The research was a survey. A sample size of 325 was selected from six organizations in Enugu, Enugu State. The study found that there is a significant positive relationship between new market segments, new distribution channels and new price implementation and profitability and customer patronage. The study concluded that market development strategy has a significant direct relationship with firm's performance.

Kirabu, Namusonge and Iravo (2022) assessed on market development and performance of telecommunications industry in Rwanda. This study report applied descriptive survey design and utilized both qualitative and quantitative data. The study population included the 133 Top and middle level, managers of mobile phone operator companies in Rwanda which comprised of MTN and Airtel company Headquarter and different branches within Kigali City from which a sample size of 100 respondents were calculated using the Slovines formula. The study found that market development is positively and significantly correlated with performance of Telecommunication industry. The study concluded that the companies benefits tremendously when the market development was taken into account for the efficient performance of the telecommunication industry in Rwanda.

Omwanda and Rotich (2020) researched on the effects of international market development on organization performance at Iwayafrica Limited. This study adopted descriptive research design in carrying out the survey. This study covered iWayAfrica East African Offices which are headquartered in Kenya. The study targeted population was 87 employees at iWayAfrica Limited and a census was used covering all the 87 employees. The study found that subsidiary operations and pricing had significant effect on organizational performance while strategic alliances and quality management had insignificant effect on organizational performance. The study concluded that international market development as a significant influence on organization performance at Iwayafrica Limited.

Waruguru, Nteere and Nderitu (2024) examined on the evaluation of market development on performance of food and beverage manufacturing firms in Kenya. The study utilized a descriptive survey research design and methodology that involved collecting primary data from a target population of 192 respondents. Simple linear regression technique and Yamane formula guided the determination of the sample size of 130. The study found that there exist a statistically significant relationship between market development and performance of food and beverage manufacturing firms in Kenya. The study concluded that there is a significant association between market development and performance.

Mucheru, Nyamboga and Mwiti (2023) conducted a study on the analysis of market development on sustainable competitive advantage in cement manufacturing companies in Kenya. The study employed a descriptive research design. The target population was all the six cement manufacturing companies in Kenya with the respondents being the top management dealing with strategic management in each of cement manufacturing company. A proportionate sample of 108 respondents was chosen as a representative of the whole. The study found that market development had a positive influence on sustainable competitive advantage in cement manufacturing companies in Kenya. The study concluded that market development has a positive effect on sustainable competitive advantage in the cement manufacturing companies in Kenya.

RESEARCH METHODOLOGY

Research Design

The descriptive research design was employed where data was collected one point in time. Creswell and Creswell (2019) notes that a descriptive survey seeks to obtain information that describes existing phenomena by asking questions relating to individual perceptions and attitudes. The design is considered suitable as it allows an in-depth study of the problem under investigation. Descriptive research design was adopted when describing the given situation, a phenomenon, it takes into consideration current believes customs and also traditions in data collection (Baumgartner, Strong & Hensley 2019).

Target Population

This study targeted management employees working in 56 insurance companies in Nairobi City

County, Kenya. This implies that the unit of observation was insurance companies in Nairobi City County, Kenya while the unit of observation included 336 management employees working in these companies, top managers, middle level managers and lower level managers.

Table 3. 1: Target Population

Category	Target Population
Top Managers	56
Middle Level Managers	112
Lower Level Managers	168
Total	**336**

Sample Size and Sampling Technique

The study used stratified random sampling technique where the subjects were selected in such a way that the existing subgroups in the population are more or less reproduced in the sample (Kothari, 2019). Ngechu (2018) defines stratified random sampling as a method of sampling that involves the division of a population into smaller groups known as strata. In this study, the management level employees formed strata and stratified random sampling was used to select sample size from each stratum.

The study's sample size was reached at using Krejcie and Morgan sample size determination formula (Russell, 2018). The formula used for arriving at the sample size is;

$$n = \frac{x^2 NP(1-P)}{\left(ME^2(N-1)\right) + (x^2 P(1-P))}$$

Where:

n=sample size

x^2=Chi-square for the specified confidence level at 1 degree of freedom

N=Population size (336)

P = is the proportion in the target population estimated to have characteristics being studied. As the proportion was unknown, 0.5 was used.

Chuan and Penyelidikan (2016) indicate that the use of 0.5 provides the maximum sample size and hence it is the most preferable. 322.70/1.8004

ME=desired margin of Error (Expressed as a proportion)

$$n = \frac{1.96^2 336 * 0.5 * 0.5}{(0.05^2 * 336) + (1.96^2 * 0.5 * 0.5)}$$

$$n = 179$$

Therefore, using the formula, the sample size for the study was 179 respondents. The respondents were chosen with the help of simple random sampling technique.

Data Collection Instrument

Data was collected using a self-administered semi-structured questionnaire. Semi-structured questionnaires were used since they enabled the researcher collect quantitative data. Questionnaires are a good method because they provide clarifications seek by respondents and they can be collected immediately after they are completed. Structured questionnaires are easy to administer, analyze and are economical in terms of time and money. A five-point Likert scale was used to measure all variables. The lowest rating of 1 signifies a low opinion by respondent while a high rating of 5 signifies a high rating by the respondents.

Pilot Study

A pilot test was conducted to determine validity and reliability of the data collection instrument. A pilot study is a small experiment designed to test logistics and gather information prior regarding a larger study, in order to improve the latter quality and efficiency. A pilot study can reveal deficiencies in the design of proposed experiment and procedure and these can be addressed before time and resources are expended on large scale studies. The responses from respondents were used to adjust and refine questionnaire accordingly. According to Mugenda and Mugenda (2017) the pretest sample should be between 1% and 10% depending on the sample size.

Data Analysis and Presentation

Data obtained from the field was coded, cleaned, and entered into the computer for analysis using the SPSS version 25. The data was summarized in order to see emerging trends and issues around specific themes, which are dependent on the variables and objectives. Presentation of data was done in form of quantitative and qualitative reports which was presented in forms of tables and essay. For the quantitative reports, the tables consisted of mean and standard deviation values that were used to make interpretation of the analysis. Percentage, mean and standard deviation were used to show the frequency of responses. Tables were used to display the rate of responses and to facilitate comparison. Qualitative reports was presented in form of essay which was discussed as per the study objectives aligned with the theories and empirical study.

Descriptive statistical included frequency, percentages, mean and standard deviation. Inferential statistical analysis used was multiple regression and correlation analysis. The significant of each independent variable were tested at a confidence level of 95%.

DATA ANALYSIS AND FINDINGS

Descriptive statistics

Process Innovation and Organization Performance

The third specific objective of the study was to establish the effect of process innovation on performance of insurance companies in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to process innovation and performance of insurance companies in Nairobi City County, Kenya. The results were as presented in Table 4.1.

From the results, the respondents agreed that recent process innovations significantly reduce operational costs in their organization (M=3.952, SD=0.821). In addition, the respondents agreed that their organization continuously seeks ways to streamline operations for greater efficiency (M=3.905, SD=0.854). Further, the respondents agreed that the time required to complete key processes is reduced due to process innovations (M=3.873, SD=0.761). The respondents also agreed that process innovations leads to improved quality in their products/services (M=3.820, SD=0.756).

From the results, the respondents agreed that their operations are more effective at meeting customer needs due to recent process improvements (M=3.798, SD=0.886). Further, the respondents agreed that the effectiveness of their processes is regularly evaluated to ensure they align with organizational goals (M=3.783, SD=0.676). The respondents also agreed that automation is successfully implemented in key operational processes within their organization (M=3.773, SD=0.542). In addition, the respondents agreed that the use of automation reduces the likelihood of errors in their operations (M=3.754, SD=0.789).

Table 4. 1: Process Innovation and Organization Performance

	Mean	Std. Deviation
Recent process innovations significantly reduce operational costs in our organization.	3.952	0.821
Our organization continuously seeks ways to streamline operations for greater efficiency.	3.905	0.854
The time required to complete key processes is reduced due to process innovations.	3.873	0.761
Process innovations leads to improved quality in our products/services.	3.820	0.756
Our operations are more effective at meeting customer needs due to recent process improvements.	3.798	0.886
The effectiveness of our processes is regularly evaluated to ensure they align with organizational goals.	3.783	0.676
Automation is successfully implemented in key operational processes within our organization.	3.773	0.542
The use of automation reduces the likelihood of errors in our operations.	3.754	0.789
Aggregate	**3.832**	**0.761**

Market Development and Organization Performance

The fourth specific objective of the study was to assess the effect of market development on performance of insurance companies in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to market development and performance of insurance companies in Nairobi City County, Kenya. The results were as presented in Table 4.2.

From the results, the respondents agreed that their organization actively identifies and targets new customer segments for existing products (M=3.928, SD=0.886). In addition, the respondents agreed that entering new market segments contribute to their recent revenue growth (M=3.911, SD=0.889). Further, the respondents agreed that market research is conducted regularly to discover potential new segments to serve (M=3.831, SD=0.779). The respondents also agreed that their organization successfully expanded into new geographical regions in recent years (M=3.816, SD=0.674).

The respondents agreed that the decision to enter new regions is based on thorough market analysis and feasibility studies (M=3.801, SD=0.787). Further, the respondents agreed that their organization tailors its marketing strategies to suit the cultural and economic characteristics of new regions (M=3.781, SD=0.577). The respondents also agreed that their organization uses targeted promotion strategies to attract customers in new markets (M=3.674, SD=0.776). In addition, the respondents agreed that the effectiveness of their market promotion efforts is regularly evaluated and optimized (M=3.664, SD=0.921).

Table 4. 3: Market Development and Organization Performance

	Mean	Std. Deviation
Our organization actively identifies and targets new customer segments for existing products.	3.928	0.886
Entering new market segments contribute to our recent revenue growth.	3.911	0.889
Market research is conducted regularly to discover potential new segments to serve	3.831	0.779
Our organization successfully expanded into new geographical regions in recent years.	3.816	0.674
The decision to enter new regions is based on thorough market analysis and feasibility studies.	3.801	0.787
Our organization tailors its marketing strategies to suit the cultural and economic characteristics of new regions.	3.781	0.577
Our organization uses targeted promotion strategies to attract customers in new markets.	3.674	0.776
The effectiveness of our market promotion efforts is regularly evaluated and optimized.	3.664	0.921
Aggregate	**3.801**	**0.786**

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (process innovation and market development) and the dependent variable (performance of insurance companies in Nairobi City County, Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 4. 4: Correlation Coefficients

		Organization Performance	Process Innovation	Market Development
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	159		
Process Innovation	Pearson Correlation	.811**	1	
	Sig. (2-tailed)	.003		
	N	159	159	
Market Development	Pearson Correlation	.856**	.098	1
	Sig. (2-tailed)	.002	.146	
	N	159	159	159

The results revealed that there is a very strong relationship between process innovation and performance of insurance companies in Nairobi City County, Kenya ($r = 0.811$, p value =0.003). The relationship was significant since the p value 0.003 was less than 0.05 (significant level).The findings are in line with the findings of Awan and Javed (2022) that there is a very strong relationship between process innovation and organization performance.

The results also revealed that there was a very strong relationship between market development and performance of insurance companies in Nairobi City County, Kenya ($r = 0.856$, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the results of Kirabu, Namusonge and Iravo (2022) who revealed that there is a very strong relationship between market development and organization performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (process innovation and market development) and the dependent variable (performance of insurance companies in Nairobi City County, Kenya).

Table 4. 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.888	.789	.788	.10228

a. Predictors: (Constant), process innovation and market development

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.789. This implied that 78.9% of the variation in the dependent variable (performance of insurance companies in Nairobi City County, Kenya) could be explained by independent variables (process innovation and market development).

Table 4. 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	141.081	2	35.270	750.43	.000[b]
1	Residual	7.234	154	.047		
	Total	148.315	158			

a. Dependent Variable: performance of insurance companies in Nairobi City County, Kenya
b. Predictors: (Constant), process innovation and market development

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 750.43 while the F critical was 2.430. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of process innovation and market development on performance of insurance companies in Nairobi City County, Kenya.

Table 4. 7: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.226	0.058		3.896	0.000
	process innovation	0.342	0.093	0.343	3.677	0.003
	market development	0.360	0.094	0.359	3.830	0.001

a Dependent Variable: performance of insurance companies in Nairobi City County, Kenya

The regression model was as follows:

$$Y = 0.226 + 0.342X_1 + 0.360X_2 + \varepsilon$$

The results revealed that process innovation has significant effect on performance of insurance companies in Nairobi City County, Kenya, β1=0.342, p value= 0.003). The relationship was considered significant since the p value 0.003 was less than the significant level of 0.05. The findings are in line with the findings of Awan and Javed (2022) that there is a very strong relationship between process innovation and organization performance.

In addition, the results revealed that market development has significant effect on performance of insurance companies in Nairobi City County, Kenya, β1=0.360, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results of Kirabu, Namusonge and Iravo (2022) who revealed that there is a very strong relationship between market development and organization performance.

Conclusions

The study concludes that process innovation has a significant effect on performance of insurance companies in Nairobi City County, Kenya. The study findings revealed that efficiency of operations, effectiveness of operations and automation of operations influences performance of insurance companies in Nairobi City County, Kenya.

The study also concludes that market development has a significant effect on performance of insurance companies in Nairobi City County, Kenya. The study findings revealed new market segments, new geographical regions and market promotion influences performance of insurance companies in Nairobi City County, Kenya.

Recommendations

The study recommends that the management of insurance companies should implement blockchain technology for claims processing and fraud prevention. Blockchain offers a secure, transparent, and tamper-proof system for recording transactions, which can streamline the entire claims process by ensuring that all data is accurate and accessible in real-time.

The study also recommends that the management of insurance companies should focus on expanding their reach through partnerships with mobile network operators. Given the high mobile phone penetration in Kenya, collaborating with telecom companies can facilitate the distribution of insurance products via mobile platforms.

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