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OUTSOURCING OF HUMAN RESOURCES (HR) FUNCTIONS AND PERFORMANCE OF INSURANCE COMPANIES IN KENYA

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ABSTRACT

The performance of insurance companies in Kenya has faced several challenges in recent years. Reports indicate that the sector has struggled with issues such as low penetration rates, which stood at approximately 2.9% of GDP as of 2021, well below the global average of 7%. The general objective of the study was to assess the influence of outsourcing of human resources functions and performance of insurance companies in Kenya. Specifically, the study sought to assess the influence of benefits administration outsourcing on performance of insurance companies in Kenya and to determine the influence of legal compliance outsourcing on performance of insurance companies in Kenya. This study was guided by: Human Capital Theory and Institutional Theory. 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 outsourcing of human resources functions on performance of insurance companies in Kenya. The study concludes that benefits administration outsourcing has a positive and significant effect on performance of insurance companies in Kenya. The study also concludes that legal compliance outsourcing has a positive and significant effect on performance of insurance companies in Kenya. Based on the findings, the study recommends that the management of insurance companies in Kenya should embrace benefits administration outsourcing as a means to enhance employee engagement and retention, ultimately boosting organizational performance. By partnering with specialized benefits administration providers, these companies can offer a comprehensive and competitive benefits package that caters to the diverse needs of their workforce.

Key Words: Outsourcing Of Human Resources (Hr) Functions, Benefits Administration Outsourcing, Legal Compliance Outsourcing

Background of the Study

Over the years, the insurance industry has undergone significant transformations due to regulatory changes, technological advancements, and shifting consumer expectations. This landscape has heightened the need for comprehensive analyses that assess how well these companies manage risks, maintain profitability, and ensure solvency while providing coverage to policyholders (Jirawuttinunt, 2020). Historically, the performance of insurance companies was primarily evaluated through traditional financial metrics such as premiums written, loss ratios, and return on equity. However, as the market has evolved, there has been a growing recognition of the importance of qualitative factors, including customer satisfaction, claims processing efficiency, and the integration of innovative technologies (Farhat-ul-Ain & Siddiqui, 2022). The emergence of insurtech firms has also intensified competition, prompting traditional insurers to adopt more agile business models and invest in digital transformation initiatives. This multifaceted approach to performance evaluation provides a more holistic view of how well insurance companies are navigating both challenges and opportunities in a rapidly changing environment (Abdul-Halim, *et al*, 2023).

Moreover, the global nature of the insurance market necessitates comparative studies across different regions and regulatory frameworks. Such studies can uncover best practices and highlight areas for improvement, particularly in emerging markets where insurance penetration remains low (Quartey, 2023). Understanding the performance of insurance companies in a global context can inform policy decisions and strategic planning for both regulators and industry stakeholders. This background sets the stage for a detailed exploration of the various metrics and methodologies employed in assessing insurance company performance, as well as the implications of these findings for the future of the industry (Imuetinyan, 2021).

Outsourcing of human resources functions refers to the practice of contracting external service providers to handle specific HR activities that are traditionally managed internally by an organization's HR department (Quartey, 2023). This approach allows companies to focus on their core business operations while leveraging the expertise, technology, and efficiency of third-party providers for various HR tasks. Payroll processing outsourcing involves transferring the responsibility of managing employee wages, bonuses, tax deductions, and salary disbursements to an external vendor. This ensures that payroll is handled accurately and on time, while ensuring compliance with tax regulations and labor laws. Organizations outsource payroll to reduce the administrative burden and minimize the risk of errors, which could lead to penalties or legal issues (Imuetinyan, 2021).

Benefits administration outsourcing involves contracting external firms to manage employee benefits, including health insurance, retirement plans, paid leave, and other perks. The outsourcing provider handles everything from enrollment and claims processing to compliance with benefits regulations (Tuyisenge & Njenga, 2023). By outsourcing this function, organizations can ensure that their benefits programs are efficiently managed without the complexity of doing it in-house. Recruitment and staffing outsourcing involves delegating the hiring process to a third-party provider, often referred to as a Recruitment Process Outsourcing (RPO) partner. This provider handles everything from sourcing and screening candidates to conducting interviews and managing the onboarding process. Recruitment outsourcing is often used by organizations looking to fill large numbers of positions or specialized roles (Quartey, 2023).

Farhat-ul-Ain and Siddiqui (2022) in Pakistan found that the human resource outsourcing increases the employee’s turnover intentions through mediatory role of Motivation, Job Satisfaction, Employee Relation, and Organizational Commitment. There is also significant complementary effect of Qualification and Experience on outsourcing turnover relationship. However, the effect of Qualification on performance was not substantiated.

In Nigeria, Imuetinyan (2021) found that human resources outsourcing and organizational performance are related. The study concluded that recruitment process outsourcing and training & development outsourcing plays very important part in improving the organizational performance of the firm provided that organization conducts careful selection of recruitment process outsourcing, and training & development outsourcing by watching their capabilities in the processes and services required.

Matolo and Iravo (2021) found that HR outsourcing will have overall benefit for the organization. The most important driver for HR outsourcing in Public Universities is from reduction of internal staff. In face of cut through competition, Public Universities are under pressure to increase profitability and productivity. Manager"s view that outsourcing will help the University to function with reduced staff strength.

Nafula and Muchemi (2023) found that the effect of outsourcing HR functions was positive and significant. Outsourcing HR functions allows banks to tap into the expertise and specialized knowledge of HR service providers who have experience in managing these complex HR processes. These providers stay updated on HR best practices, employment laws, and regulatory requirements, enabling banks to benefit from their expertise.

Ngila and Makhamara (2022) found that there was a significant positive relationship between outsourcing training practices and organizational performance of Total Oil companies in Nairobi City County Kenya. The study concluded that outsourcing recruitment and selection practices and organizational performance has significant positive relationship.

Statement of the Problem

Insurance companies play a vital role in the economic development of Kenya by providing risk management solutions, enhancing financial security for individuals and businesses, and fostering investments in various sectors. They contribute significantly to the country's GDP, creating jobs and supporting financial stability. As the insurance sector expands, it becomes increasingly important for these companies to operate efficiently and effectively to meet the growing demands of consumers and businesses alike (Akinyi, Mulili & Mwanzia, 2022).

However, the performance of insurance companies in Kenya has faced several challenges in recent years. Reports indicate that the sector has struggled with issues such as low penetration rates, which stood at approximately 2.9% of GDP as of 2021, well below the global average of 7%. Additionally, many insurance firms grapple with high operational costs, inadequate customer service, and slow claims processing, which contribute to a lack of consumer trust and engagement. These performance issues not only affect the sustainability of the companies but also hinder the overall growth of the insurance industry in the country (Matolo & Iravo, 2021).

Outsourcing human resources functions has emerged as a potential strategy to improve organizational performance in the insurance sector. By delegating HR tasks such as recruitment, payroll, and training to specialized firms, insurance companies can focus on their core operations and enhance efficiency (Nafula & Muchemi, 2023). Outsourcing can lead to cost reductions, improved employee satisfaction, and better compliance with labor regulations. Studies have shown that organizations that effectively outsource HR functions often experience increased productivity and improved service delivery, positioning them to better meet customer needs and adapt to market changes. Therefore, understanding the relationship between HR outsourcing and organizational performance in Kenyan insurance companies is critical for driving growth and competitiveness in the sector (Ngila & Makhamara, 2022).

Objectives of the Study

General objectives

The general objective of the study was to assess the influence of outsourcing of human resources functions and performance of insurance companies in Kenya

Specific Objectives

This study was guided by the following specific objectives

i. To assess the influence of benefits administration outsourcing on performance of insurance companies in Kenya
ii. To determine the influence of legal compliance outsourcing on performance of insurance companies in Kenya

Theoretical Review

Human Capital Theory

Human Capital Theory introduced by Gary Becker and Theodore Schultz in the 1950s and early 1960s is a pivotal concept in economics and labor studies that emphasizes the value of investing in people's education, skills, and health as a means of enhancing economic productivity and growth. The theory posits that individuals and societies can increase their economic potential by investing in human capital—the collective skills, knowledge, and experience possessed by individuals (López, Salvador & Viñas, 2020). This investment often takes the form of education and training, which are seen as crucial for improving the efficiency and effectiveness of the workforce. According to Human Capital Theory, education and training enhance individuals' abilities, making them more productive and valuable in the labor market. This is based on the idea that knowledge and skills are akin to capital, much like machinery or technology, that can be used to generate economic output. For instance, a higher level of education often leads to greater job opportunities, higher earnings, and better job performance. The theory suggests that the benefits of such investments are not only personal but also societal, as a more educated and skilled workforce can contribute to overall economic growth and development (Callahan & Butler, 2020).

Furthermore, Human Capital Theory also considers the role of health as a crucial component of human capital. Healthy individuals are generally more productive and have lower absenteeism rates, which contributes positively to economic productivity. Investments in healthcare, therefore, are seen as integral to maintaining a healthy and productive workforce, emphasizing that human capital is not solely about education and training but also about ensuring the well-being of individuals (Salvador & Clara, 2020). This theory was relevant in assessing the influence of benefits administration outsourcing on performance of insurance companies in Kenya.

Institutional Theory

Institutional Theory developed by John Meyer and Brian Rowan in the 1970s, within the context of organizational studies and sociology, examines how institutions—both formal (such as laws, regulations, and norms) and informal (such as customs, traditions, and cultural values)—shape organizational behavior, practices, and structures (Nyameboame & Abubaker, 2020). At its core, Institutional Theory suggests that organizations are not only influenced by economic factors or market forces but are also deeply embedded within broader social and institutional contexts. These institutional contexts provide guidelines, norms, and expectations that influence how organizations operate, make decisions, and respond to external pressures (Achonjo, 2020).

One key concept within Institutional Theory is institutional isomorphism, which describes the tendency of organizations within a field or industry to become more similar over time. This occurs through three main mechanisms: coercive isomorphism (pressure from external entities such as governments, regulatory bodies, or powerful stakeholders), mimetic isomorphism (imitation of successful practices or behaviors observed in other organizations), and normative isomorphism (adoption of norms and values considered legitimate within the institutional environment). These forces can lead to convergence in organizational structures, practices, and strategies, even among organizations that are otherwise competing in the same industry (Maureen & Callahan, 2021). Furthermore, Institutional Theory emphasizes the role of legitimacy in organizational survival and success. Legitimacy refers to the perception that an organization's actions, structures, and practices are appropriate, acceptable, and in line with societal expectations and norms. Organizations strive to gain and maintain legitimacy because it enhances their credibility, reduces uncertainty among stakeholders, and facilitates access to resources and support. Legitimacy can be achieved by conforming to institutional expectations, aligning with prevailing norms, and demonstrating social responsibility (Maina, 2023). This theory was relevant in determining the influence of legal compliance outsourcing on performance of insurance companies in Kenya.

Conceptual Framework

A conceptual framework is an assumed model that aids in the identification of study concepts as well as their interactions with one another (Mugenda & Mugenda, 2019). In this study, the independent variables were benefits administration outsourcing and legal compliance outsourcing while the dependent variable was performance of insurance companies in Kenya.

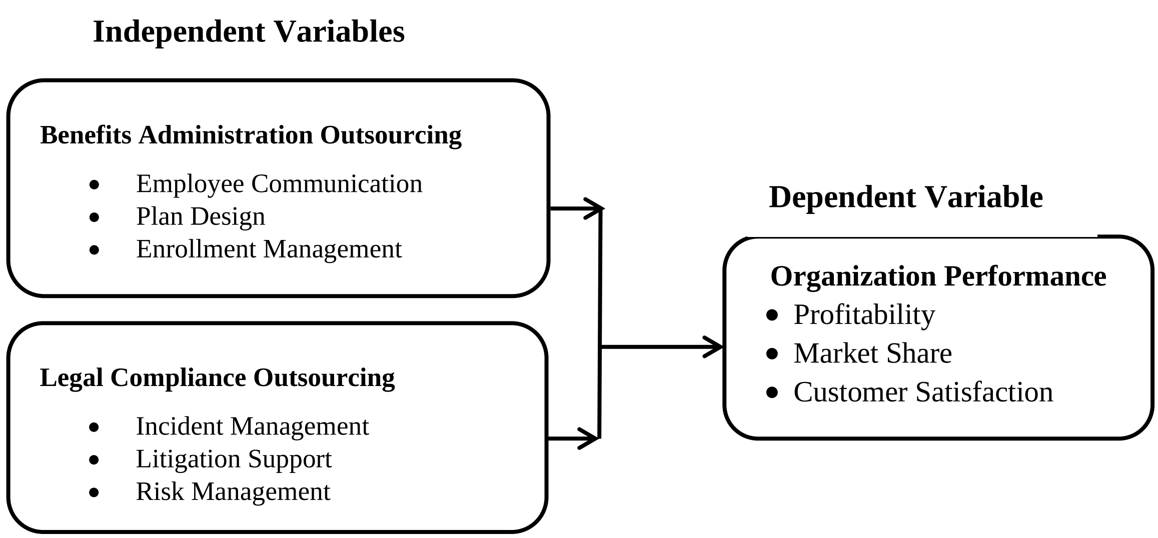

Figure 2.1: Conceptual Framework

Source; (Researcher 2024)

Benefits Administration Outsourcing

Benefits Administration Outsourcing (BAO) is the practice of delegating the management and oversight of employee benefits programs to a third-party service provider (Salvador & Clara, 2020). Effective employee communication is essential for the successful administration of benefits programs. Clear and transparent communication helps ensure that employees understand their available benefits, including health insurance, retirement plans, and other perks. Organizations must provide information in various formats, such as brochures, online portals, and in-person meetings, to cater to different learning preferences. Regular updates and reminders about enrollment periods, changes in benefits, or new offerings foster engagement and encourage employees to take full advantage of their benefits. When employees feel well-informed, they are more likely to utilize their benefits effectively, which can enhance overall job satisfaction and retention (Jang & Robert, 2020).

Plan design refers to the process of creating and structuring employee benefits programs to meet the needs of both the organization and its workforce. This involves analyzing employee demographics, industry standards, and budget constraints to develop benefits that attract and retain talent. A well-designed benefits plan considers factors such as coverage options, cost-sharing arrangements, and additional perks that align with employee preferences, such as wellness programs or flexible work arrangements. Organizations must also regularly evaluate and update their benefits offerings to stay competitive and compliant with evolving regulations. Thoughtful plan design not only helps in attracting new talent but also fosters a positive workplace culture and supports employee well-being (Agburu, Nyianshima & Akuraun, 2021).

Enrollment management is a crucial aspect of benefits administration, involving the processes that facilitate employee enrollment in various benefits programs. This includes coordinating open enrollment periods, guiding employees through their options, and ensuring that they complete the necessary paperwork accurately. Effective enrollment management often leverages technology, such as online portals or mobile apps, to simplify the process and enhance user experience. Providing personalized support, such as one-on-one consultations or informational webinars, can help employees make informed decisions about their benefits. By streamlining enrollment, organizations can reduce administrative burdens, minimize errors, and ultimately ensure that employees are adequately covered under their chosen plans, leading to higher satisfaction and engagement (López, Salvador & Viñas, 2020).

Legal Compliance Outsourcing

Legal Compliance Outsourcing (LCO) is the practice of delegating the management of regulatory compliance and legal matters to external service providers. This approach allows organizations to ensure that they adhere to applicable laws and regulations without the need to maintain extensive in-house legal resources (Krishnan, 2022). Incident management involves the systematic process of identifying, responding to, and resolving incidents that may disrupt normal operations or pose risks to an organization. This process is critical in minimizing the impact of incidents, whether they involve compliance breaches, workplace accidents, or data breaches. Effective incident management includes establishing clear protocols for reporting incidents, conducting investigations, and documenting findings. Organizations often develop incident response teams equipped to handle various situations, ensuring that appropriate actions are taken swiftly. By having a robust incident management strategy in place, companies can enhance their resilience, improve recovery times, and maintain operational continuity, ultimately safeguarding their reputation and minimizing potential financial losses (Nyameboame & Abubaker, 2020).

Litigation support encompasses a range of services provided to organizations involved in legal disputes. This support can include document management, data collection, and analysis, as well as expert testimony and trial preparation. Outsourcing litigation support allows companies to access specialized legal expertise and technology that can streamline the discovery process and enhance case management. Providers often assist in reviewing and organizing evidence, ensuring compliance with legal requirements, and preparing legal documents. By leveraging external resources for litigation support, organizations can better navigate complex legal challenges, reduce the burden on internal teams, and increase their chances of favorable outcomes in disputes (Achonjo, 2020).

Risk management involves identifying, assessing, and mitigating potential risks that could affect an organization's operations, reputation, or financial stability. This process is crucial for proactively addressing threats, whether they stem from regulatory changes, operational challenges, or external market conditions. A comprehensive risk management strategy typically includes risk assessments, the development of mitigation plans, and continuous monitoring of risk factors. Outsourcing risk management functions allows organizations to tap into specialized expertise and resources, ensuring that they are equipped to handle diverse risks effectively. By implementing a strong risk management framework, companies can protect their assets, improve decision-making, and enhance overall business resilience, ultimately positioning themselves for long-term success (Maina, 2023).

Empirical Review

Benefits Administration Outsourcing and Organization Performance

Salvador and Clara (2020) carried out research on outsourcing as management strategy in local public services. In order to contrast the effect of the political-institutional variables of local governments on the outsourcing of public services, a two-stage analytical strategy is applied. The study found that there are significant differences between the three types of city councils as regards the percentage of outsourced service. The results allow illustrating the existence of three differentiated lines of action in relation to the external contracting of public services as a formula of flexibility in the local public management. While two of them clearly opt for outsourcing, the third makes a limited use of that option.

Jang and Robert (2020) researched on the effects of state delinquent tax collection administration outsourcing on administrative effectiveness, efficiency, and procedural fairness. Using state-level panel data, the administrative effectiveness outcome is that private collectors do not reduce the aggregate delinquent tax inventory, but the administrative efficiency outcome is that private collectors reduce collection cost The study provides an examination of the state tax collection process, exploring questions about the government's contractual choice of tax collection methods, outsourcing or insourcing the tax receivables collection process. Using the theory of agency, tax revenue is produced through combining the tax base, tax rate, and the tax administrator's collection effort. Given the paucity of empirical research regarding this innovative practice, the empirical analyses presented the effects of using private tax collectors in tax administration in state governments.

Agburu, Nyianshima and Akuraun (2021) researched on administration outsourcing on the performance of small and medium scale enterprises. Survey research design was adopted in Benue State, Nigeria. Stratified random sampling technique was used in selecting respondents for a primary source data gotten through a well-designed and self-administered questionnaire. Also, secondary data was sourced from the financial records of 10 selected small and medium scale enterprises. The study found that not Small and medium scale enterprises outsource. Also, some which outsource have not being managing it effectively. They concluded that Worthy of note here is the fact that, some which outsource do so without much consideration of their area of operation thereby not utilizing fully the merits of this strategy.

Legal Compliance Outsourcing and Organization Performance

Nyameboame and Abubaker (2020) did a research on exploring the impact of legal compliance outsourcing on organizational performance. The primary data were collected using a survey from 80 participants working for different oil and gas companies in Ghana. The study found that key outsourcing reasons were reducing operational costs, avoiding major investment costs in technology, providing consistent and improved service delivery, accessing current technology and expert knowledge and focusing more on core business activities. Outsourcing is significant to enhance the performance of an oil and gas company; however, outsourcing could also result in the conflict of firm culture with outsourced vendors, and inefficient management and loss of innovative capacity are possible negative effects of outsourcing. The study concluded that locally owned oil and gas companies in Ghana outsource a variety of resources and services to enhance organizational performance.

Achonjo (2020) conducted a case study on the impact of legal compliance outsourcing on the performance of parastatals in Kenya. Data was collected using a questionnaire which consisted of both open and closed ended questions. The data collected was analyzed using descriptive statistics and classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables and graphs. The population of study consists of all the142 registered parastatals in the Government of Kenya. The low variation of standard deviation indicates that the respondents were unanimous on extend of legal compliance outsourcing of major functions of the parastatals. Although outsourcing of business function is essential to companies, the respondents indicated that as a result of legal compliance outsourcing business functions, the company is faced by risks emanating from loss of command of outsourced service, over reliance of external parties, loss of confidentiality, loss of control in decision making, limited flexibility, low quality work and limited time.

Maina (2023) researched on effects of legal compliance outsourcing on organizational performance: a case of the Kenya judiciary. The study used descriptive research design. The population was 38 employees from the procurement function at the judiciary. The study used the whole population of 38. From the finding, legal compliance outsourcing is advantageous to performance of an organization only if the attitudinal results offered in the study agree without legal compliance sourcing proponents' claims that it allows expertise enhancement, service quality improvement, streamline processes, reduce cost and administration burden as well as time saving. It is clear from the study that an organization that invests in legal compliance outsourcing has direct impact on the performance.

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.

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). 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;

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

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 will be 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

Benefits Administration Outsourcing and Organization Performance

The first specific objective of the study was to assess the influence of benefits administration outsourcing on performance of insurance companies in Kenya. The respondents were requested to indicate their level of agreement on the statements relating to benefits administration outsourcing and performance of insurance companies in Kenya. The results were as shown in Table 4.1.

From the results, the respondents agreed that the outsourced service promptly addresses employee inquiries regarding benefits (M=3.964, SD= 0.997). In addition, the respondents agreed that communication materials provided by the outsourced service are clear and easy to understand (M=3.917, SD= 0.831). Further, the respondents agreed that the benefits plans offered through the outsourced service meet the needs of their employees (M=3.858, SD=0.563).

From the results, the respondents agreed that the outsourced provider effectively customizes benefit plans based on employee feedback (M= 3.831, SD= 0.851). In addition, the respondents agreed that employees receive adequate support during the benefits enrolment period from the outsourced service (M=3.751, SD= 0.935). Further, the respondents agreed that the outsourced provider effectively tracks and manages enrolment changes throughout the year (M=3.742, SD=0.692).

Table 4. 1: Benefits Administration Outsourcing and Organization Performance

	Mean	**Std. Deviation**
The outsourced service promptly addresses employee inquiries regarding benefits.	3.964	0.997
Communication materials provided by the outsourced service are clear and easy to understand.	3.917	0.831
The benefits plans offered through the outsourced service meet the needs of our employees.	3.858	0.563
The outsourced provider effectively customizes benefit plans based on employee feedback.	3.831	0.851
Employees receive adequate support during the benefits enrollment period from the outsourced service.	3.751	0.935
The outsourced provider effectively tracks and manages enrollment changes throughout the year.	3.742	0.692
Aggregate	**3.844**	**0.812**

Legal Compliance Outsourcing and Organization Performance

The second specific objective of the study was to determine the influence of legal compliance outsourcing on performance of insurance companies in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to legal compliance outsourcing and performance of insurance companies in Kenya. The results were as presented in Table 4.2.

From the results, the respondents agreed that communication regarding incident management from the outsourced provider is timely and clear (M=3.943, SD= 0.981). In addition, the respondents agreed that the outsourced service ensures that all incidents are documented and reported accurately (M=3.866, SD= 0.850). Further, the respondents agreed that the outsourced legal team provides adequate support during litigation processes (M=3.731, SD= 0.914).

The respondents also agreed that the quality of legal documentation prepared by the outsourced provider meets their standards (M=3.696, SD= 0.947). In addition, the respondents agreed that the outsourced service effectively identifies potential legal risks associated with their operations (M=3.689, SD= 0.856). Further the respondents agreed that recommendations provided by the outsourced provider help mitigate legal risks in their organization (M=3.671, SD=0.621).

Table 4. 2: Legal Compliance Outsourcing and Organization Performance

	Mean	Std. Deviation
Communication regarding incident management from the outsourced provider is timely and clear.	3.943	0.981
The outsourced service ensures that all incidents are documented and reported accurately.	3.866	0.850
The outsourced legal team provides adequate support during litigation processes.	3.731	0.914
The quality of legal documentation prepared by the outsourced provider meets our standards.	3.696	0.947
The outsourced service effectively identifies potential legal risks associated with our operations.	3.689	0.856
Recommendations provided by the outsourced provider help mitigate legal risks in our organization	3.671	0.621
Aggregate	**3.766**	**0.862**

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (benefits administration outsourcing and legal compliance outsourcing) and the dependent variable (performance of insurance companies in 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. 3: Correlation Coefficients

		Organization Performance	Benefits Administration Outsourcing	Legal Compliance Outsourcing
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	141		
Benefits Administration Outsourcing	Pearson Correlation	.842**	1	
	Sig. (2-tailed)	.002		
	N	141	141	
Legal Compliance Outsourcing	Pearson Correlation	.910**	.179	1
	Sig. (2-tailed)	.000	.081	
	N	141	141	141

From the results, there was a very strong relationship between benefits administration outsourcing and performance of insurance companies in Kenya (r = 0.842, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings conform to the findings of López, Salvador and Viñas (2020) that there is a very strong relationship between benefits administration outsourcing and organization performance.

The results also revealed that there was a very strong relationship between legal compliance outsourcing and performance of insurance companies in Kenya (r = 0.910, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the results of Nyameboame and Abubaker (2020) who revealed that there is a very strong relationship between legal compliance outsourcing and organization performance

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (benefits administration outsourcing and legal compliance outsourcing) and the dependent variable (performance of insurance companies in Kenya)

Table 4. 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.870	.757	.758	.10120

a. Predictors: (Constant), benefits administration outsourcing and legal compliance outsourcing

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 0.757. This implied that 75.7% of the variation in the dependent variable (performance of insurance companies in Kenya) could be explained by independent variables (benefits administration outsourcing and legal compliance outsourcing).

Table 4. 5: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.035	2	4.018	41.85	.000b
	Residual	6.568	138	.048		
	Total	14.603	140			

a. Dependent Variable: performance of insurance companies in Kenya
b. Predictors: (Constant), benefits administration outsourcing and legal compliance outsourcing

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 41.85 while the F critical was 2.438. 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 benefits administration outsourcing and legal compliance outsourcing on performance of insurance companies in Kenya.

Table 4. 6: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	**Std. Error**	**Beta**		
1	**(Constant)**	0.205	0.053		3.867	0.000
	benefits administration outsourcing	0.486	0.123	0.487	3.951	0.000
	legal compliance outsourcing	0.430	0.113	0.431	3.805	0.001

a Dependent Variable: performance of insurance companies in Kenya

The regression model was as follows:

$$\mathbf{Y = 0.205 + 0.486X_1 + 0.430X_2 + \varepsilon}$$

According to the results, benefits administration outsourcing has significant effect on performance of insurance companies in Kenya, $\beta1=0.486$, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings conform to the findings of López, Salvador and Viñas (2020) that there is a very strong relationship between benefits administration outsourcing and organization performance.

In addition, the results revealed that legal compliance outsourcing has significant effect on performance of insurance companies in Kenya $\beta1=0.430$, 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 Nyameboame and Abubaker (2020) who revealed that there is a very strong relationship between legal compliance outsourcing and organization performance.

Conclusions

The study concludes that benefits administration outsourcing has a positive and significant effect on performance of insurance companies in Kenya. Findings revealed that employee communication, plan design and enrollment management influences performance of insurance companies in Kenya.

The study also concludes that legal compliance outsourcing has a positive and significant effect on performance of insurance companies in Kenya. Findings revealed that incident management, litigation support and risk management influence performance of insurance companies in Kenya.

Recommendations

The study recommends that the management of insurance companies in Kenya should embrace benefits administration outsourcing as a means to enhance employee engagement and retention, ultimately boosting organizational performance. By partnering with specialized benefits administration providers, these companies can offer a comprehensive and competitive benefits package that caters to the diverse needs of their workforce.

The study also recommends that the management of insurance companies in Kenya should utilize legal compliance outsourcing to strengthen their risk management and enhance overall organizational performance. By engaging specialized legal firms, these companies can ensure that they remain up-to-date with evolving regulations and compliance requirements in the insurance industry.

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